Austria .. Sch. 18	Indonesia .. Rp 2700	Portugal .. Esc 90
Bahrain .. Din 0.650	Italy .. L 1300	S. Arabia .. Rls 5.00
Belgium .. BFr 38	Japan .. Y 350	Singapore .. S$ 4.10
Canada .. C$2.00	Jordan .. Fils 500	Spain .... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon ... £L 6.00	Sweden .. Skr 6.50
Egypt £E1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland ... Fmk 8.00	Malaysia .. Rin 4.25	Taiwan ... NT $65
France ... FFr 8.00	Mexico ... Pas. 300	Tunisia .. Din 0.600
Germany .. DM 2.20	Morocco .. Dh 6.00	Turkey ..... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong .. HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.50
India ..... Rup. 15	Philippines .. Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,628 — Monday May 20 1985 — D 8523 B

Arms control: now it is up to Gorbachev, Page 13

World news — Business summary

Riyadh bomb blasts kill one

The radical Islamic Jihad group *claimed responsibility for two* explosions in the Saudi Arabian capital Riyadh on Saturday night.

The first explosion, opposite a Western-style pizza parlour, killed a Filipino and seriously injured three other people. No one was injured in the second, which occurred shortly after the first near a compound where government military advisers live.

Diplomats in the capital believe the explosions are a warning that the Saudis are not beyond the reach of the Moslem fundamentalist group. Page 2

Terrorist fears

French authorities are treating next month's Paris Air Show as a major target for terrorist attacks *and have reinforced security.*

Swiss bank scandal

One of Switzerland's longest and most notorious banking scandals ended with a once-prominent banker, Robert Leclerc, found guilty of diverting millions of dollars from clients' accounts. He will be sentenced today.

New party head

Anibal Cavaco e Silva was elected as new leader of Portugal's troubled Social Democrat Party (PSD), a junior partner in Sr Mario Soares's centre-left coalition. Page 2

Contras 'face defeat'

U.S.-backed Contra rebels face a "strategic defeat" following a Nicaraguan government military offensive, the country's Defense Minister Humberto Ortega said. Page 2

Moscow accuses U.S.

Soviet leader Mikhail Gorbachev accused the U.S. of a military build-up in the Indian Ocean and of thwarting attempts to make the region a zone of peace. Page 2

Pope in Belgium

Pope John Paul urged Belgians to overcome language and racial barriers in their country and said their success could be an example to the rest of the world.

Peking soccer unrest

Thousands of Chinese football fans rampaged outside the Peking's Workers stadium, stopping and attacking foreigners' cars, after China lost 2–1 to Hong Kong.

Treason trial

Sixteen members of the multiracial UDF group go on trial today, in South Africa's most important treason hearing for 20 years. Page 2

Warsaw price rise

The Polish Government will go ahead with plans to raise the price of meat despite objections by leaders of legal trade unions and Solidarity.

Cairo book ban

An Egyptian court ordered the confiscation of new editions of the centuries-old Arabic classic "A Thousand and One Nights," saying it posed a threat to morals.

Pilot strike talks

United Airlines, the U.S.'s biggest carrier, is due to resume negotiations with striking pilots today in a bid to end the three-day-old dispute.

Florida emergency

Florida's governor declared a state of emergency as forest fires broke out in much of the state. Page 2

Prost wins

Alain Prost of France won his second Monaco Grand Prix in succession, driving a McLaren.

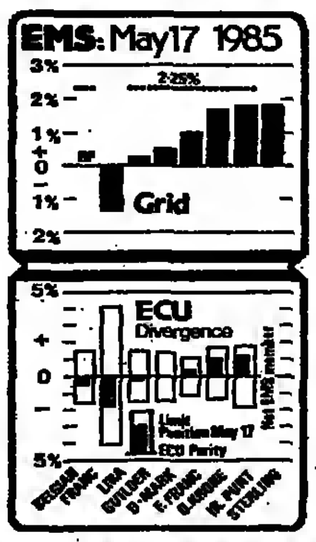
Nocturnal noise

Snoring may be dangerous. Higher blood pressure and an increased chance of heart and circulatory disease can be caused by snoring, according to Copenhagen's sleep research laboratory.

Belgians to raise stake in UK bank

GROUPE PARAGESA/Bruxelles *Lambert (GPBL)*, a Swiss-Belgian financial conglomerate, will this week underwrite a £35m ($44m) rights issue by Henry Ansbacher, the UK-based merchant bank and insurance broking group. GPBL has a 29.9 per cent stake in Ansbacher, which will rise to at least 50 per cent as a result of the underwriting and adjustments to conversion terms of £14.5m of loan stock. Page 14

EUROPEAN Monetary System: The Irish punt remained the strongest performer last week. The D-Mark weakened slightly, as did the Italian lira, the weakest EMS currency. There was no pressure, however, with all members staying well within their divergence limits. Ascension Day tended to keep trading quiet, and there was little interest apart from fluctuations in the dollar.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Nikkei Dow index closed 96.15 up on Saturday, at 12,516.14. Page 22

EUROMARKETS: Canadian Export Development Corporation's decision to issue Euro-commercial paper without underwriting or standby credit facilities has thrown the role of commercial banks in the Euromarkets into question. Page 15

NIGERIA is to issue promissory notes for about $530m to help in the rescheduling of foreign debts. Page 3

SOUTH AFRICAN Gold Coin Exchange cannot honour guarantees to repurchase Krugerrands, and has been placed under voluntary judicial management. Page 2

SWISS central bank authorities have lifted the SwFr 200m ($78m) ceiling on public bond issues by foreign borrowers *as a further step* in the liberalisation of the country's capital market. Page 16

SOVIET UNION and United States start their highest level trade talks for six years in Moscow today. Page 2

WEDD DURLACHER, the UK jobbing firm now being integrated into Barclays Bank's new securities group, has sold its 25 per cent stake in Charles Fulton, the money broking firm, back to its management.

AMERICAN Savings & Loan, the biggest U.S. savings bank and a subsidiary of Financial Corporation of America, lost $1.1bn in deposits last month, the third month in a row it has suffered a net outflow of funds. Page 15

UK MINISTRY of defence invited four groups to submit ideas for a computer-based command system, worth at least £75m ($93.7m), for RAF Strike Comand HQ. Page 6

BRITISH independent oil companies meet this week to decide whether to set up a trading company to find markets for their North Sea output after the abolition of BNOC.

Satellite launch costs poised to rise in U.S. and Europe

BY PETER MARSH IN LONDON AND DAVID MARSH IN PARIS

PRICES for satellite launches on both the U.S. space shuttle and western Europe's Ariane rocket are likely to rise following an impending announcement by President Ronald Reagan on the level of government subsidy for the American vehicle.

The decision, due in the next week or so, will probably reduce the subsidies on shuttle launches, which currently recoup by commercial fees only a fraction of the $150m or so that each flight costs.

This, in turn, is likely to give Arianespace, the mainly French company that sells Ariane launches, the chance to raise its prices, which at present are *roughly comparable* to those for the shuttle.

M Roland Deschamps, Arianespace's secretary general, says his company wants to increase prices to raise its currently meagre profit ratio but that the subsidisation of the shuttle is preventing this.

Any steep increase in prices for the shuttle would, however, favour Arianespace, at least in the short term. The American vehicle is already *having to contend with a poor* image due to its failure last month to put a U.S. Navy satellite into orbit, a mishap which was due to a faulty rocket motor on the satellite.

Ariane and the space shuttle each account for about half the market, worth about $500m a year, for taking into orbit commercial communications satellites.

The decision by President Reagan *should end months of argument* between U.S. government bodies which have failed to agree on the extent to which the space shuttle should pay its way.

The National Aeronautics and Space Administration, the operator of the shuttle fleet of three vehicles (a fourth should enter service later this year), says that an element of subsidy is needed to tempt more companies to use the craft, for in*stance for experiments in zero*-gravity materials processing.

The Department of Transportation, which has responsibility for regulating space-launch vehicles, operated both by Nasa and private companies, wants the space administration to raise its prices to recoup more of its operating costs from customers.

This is both as a contribution to cutting the U.S. Government deficit and as a way to boost the fortunes of private enterprises that sell rocket launches.

Last year, General Dynamics and Transpace Carriers announced they would take payloads into orbit using the Atlas-Centaur and Delta rockets, both previously operated by Nasa. But neither company has chalked up an order, the result, they say, of government subsidies to the shuttle that give Nasa an unfair advantage.

Telecommunications companies and governments are expected to launch roughly 20 communications satellites annually over the next few years.

At present, the fees charged by Arianespace and Nasa are roughly comparable. The prices range between $20m and $30m for a launch into the geostationary orbit 36,000 km above the Earth of a 1.2 tonne communications satellite.

Nasa's prices are fixed to October 1988 by an earlier government decree. The current debate in the U.S. is over the pricing policy for the three years from that date, an important subject now, given that satellite companies often require two to three years to arrange a launch for their hardware.

*Here the arguments become com*plex as prices for the shuttle are fixed in terms the 1982 value of the dollar. The prices relate to the sum a customer would be charged for "renting" the whole of a shuttle's cargo bay, which can lift a payload of 30 tonnes, rather than for a small section of this space that is big enough to lift a 1-tonne satellite.

In practice, the bay is filled with *perhaps three such satellites*, the owners of which pay Nasa the appropriate proportion of the total fee.

The current policy has fixed the shuttle price (for the complete cargo bay) at $71m until October 1988. While Nasa wants the sum kept at roughly this level for the following three years, the Department of Transportation favours charging about $110m.

According to Nasa, each shuttle *flight now costs about $150m. This* includes of spare parts, engineers' time and the appropriate share of the charges for running various Nasa space bases. It does not include repayments of the $11bn development costs for the shuttle fleet.

On the current pricing policy, therefore, the Government has to pay roughly $90m toward the cost of each shuttle flight, assuming the *vehicle carries* three satellites whose owners each contribute $20m. In addition, the satellite

Continued on Page 14

Swedish strike settlement near after Palme move

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE STRIKE of 2½ weeks by Swedish civil servants, the country's biggest ever public sector in*dustrial dispute, was close to settle*ment last night following secret intervention in the conflict by Mr Olof Palme, the Prime Minister.

Mr Olof Palme

Mr Palme held meetings with leaders of the 265,000-strong TCO-S civil servants union which since early May has brought the country's civil air traffic to a halt and has badly disrupted Sweden's foreign trade.

Late last night the two sides appeared close to accepting a new offer from the state appointed mediator, which would give civil servants an increase of 2 per cent from December 1.

The strike has been staged by the country's biggest civil service union in support of a compensatory pay claim for 1984, a year when public *sector employees* claim that their wages fell sharply behind increases in the private sector.

A controversial clause in last year's two-year agreement specifically allowed a renegotiation in these circumstances, but the Government has been reluctant to grant any further increase for fear of bursting its own 5 per cent voluntary ceiling for labour cost increases in 1985.

Mr Palme said yesterday that he had not negotiated with the TCO-S leadership, but had merely opened the way to renewed talks between the two sides and the *mediator. He* denied having gone behind the back of the state employer board and claimed the new offer was under the voluntary ceiling.

In the midst of the strike Swedish financial authorities were forced to drastically tighten monetary policy with a big increase in interest rates to try to strengthen confidence in the Swedish krona and stop a mounting flow of capital out of the country.

Both the strike and the new squeeze on consumer spending are expected to damage the Social Democratic Government's chances of being re-elected in the general election in September, although a new opinion poll published yesterday – and taken before the latest events – showed the Socialist bloc clearly gaining ground after trailing behind the centre-right opposition parties for many months.

The new poll by IMU showed the Socialist bloc – the Social Democrats and Communists – with 49.5 per cent compared with 46.5 per cent for the non-Socialists. In the last IMU poll in February the non-Socialists had 48 per cent compared with 47.5 per cent for the Social Democrats and Communists combined.

Thatcher and Kohl agree on use of veto

By Robert Mauthner in London

MRS Margaret Thatcher, the British Prime Minister, is understood to have told Herr Helmut Kohl, the West German Chancellor, that Britain basically supports the use of the veto in the EEC Council of Ministers on matters of vital national interest.

The veto was employed by the Germans in last week's farm ministers meeting in Brussels, on a proposal to cut cereal prices.

Britain's position was conveyed to Herr Kohl during a one-day meeting on Saturday between the two leaders at Chequers, at which *preparations* for the European summit due to be held in Milan on June 28 and 29 was one of the main subjects discussed.

Mrs Thatcher and Herr Kohl focused on the conclusions of the Dooge report, which will be one of the main items on the agenda of the Milan meeting and which proposes to make majority voting the rule rather than the exception in the Community's decision-making.

Although Britain's position on the national veto, a result of the Luxembourg compromise of 1966, has long been clear, it finds itself in somewhat of a dilemma on the specific controversy over cereal prices.

Having argued strongly for many years in favour of measures to reduce agricultural spending in the *Community*, the *British* Government can hardly claim to be happy with a German move to veto a 1.8 per cent cut in cereal prices, which is only half the amount of the European Commission's original proposal.

Under last year's agricultural reform package, which Britain energetically promoted, the cut in cereal prices should have been at least 5 per cent, according to the Commission's calculations.

However, the official British view is that, in several other areas, such as fruit and vegetables, meat, su-

Continued on Page 14

U.S. court blow to hostile corporate bids

BY WILLIAM HALL IN NEW YORK

U.S. INVESTMENT bankers are studying a Delaware court decision which appears to mark an important setback for the corporate raiders who mount hostile tender offers for vulnerable companies in the hope that they will be bought out at a profit.

In what many corporate lawyers believe could be a landmark judgment, the Supreme Court of the state of Delaware, ruled last Friday that Unocal, a big U.S. oil company, could exclude a group of corporate raiders, led by Mr T. Boone Pickens, from a $3.6bn share buyback scheme.

The ruling was greeted enthusiastically by executives of major oil companies who have watched with mounting concern as a group of corporate raiders, led by Mr Pickens, have forced several well known oil companies either to seek friendly takeovers or to buy back their shares on terms *not available* to the rest of the company's shareholders – a tactic known as "greenmail".

Many U.S. companies are registered in Delaware and the court decision, vindicating Unocal's action, is being interpreted as a significant new weapon for fighting off unwelcome bids. It is believed to be the first time that a company has "greenmailed" a corporate raider, by turning the tables on him. Wall Street analysts were speculating last night that Mr Pickens will now seek talks with Unocal's management in an effort to protect its position.

Unocal had offered to buy back close to a third of its shares for securities worth $72 per share in a bid to fight off an unfriendly $54 a share tender offer for majority control from Mr Pickens.

Mr Pickens' investor group, which already owns 13.6 per cent of Unocal, wanted to tender its shares under the Unocal offer and would have stood to make a $150m profit on the terms offered to other shareholders.

Unocal has insisted all along that it intended to exclude Mr Pickens from the exchange offer. If it succeeds and proceeds with its own exchange offer, the value of Mr Pickens' shareholding is likely to drop sharply since the value of the residual Unocal shares will fall.

Wall Street analysts have estimated that Unocal shares will probably trade in the lower $30 range after Unocal completes its own offer. If this is the case, then Mr Pickens, who has made over $1bn in profits *from similar raids over the last two* years, will face a loss of around $300m on his investment.

Until now the risk reward ratio in corporate raids on companies such as Gulf Oil, Phillips Petroleum and Unocal has appeared to favour raiders like Mr Pickens. However, the Delaware decision has raised the financial risks fir hostile bidders like Mr Pickens who put companies under pressure to buy back their shares.

Although Mr Pickens has always insisted that he wants to take over and manage Unocal, the Delaware court concluded *that Unocal's board* had acted in good faith by rejecting Mr Pickens $54 a share offer

Argentina freezes dollar deposits

By Jimmy Burns in Buenos Aires

THE ARGENTINE *Government* has announced a package of measures aimed at easing the growing liquidity squeeze on the country's financial institutions following the collapse of the Banco de Italia y Rio de la Plata, the third largest private bank.

The central bank froze all deposits held in foreign currency as from today for the next 120 days, in a bid to halt the growing run on dollar deposits.

Other measures include a further reduction in the minimum reserve requirement and the announcement of extended re-discount lines to banks in difficulties. Interest rates on Treasury Bills meanwhile have been reduced in an attempt to increase the capacity of individual banks to absorb funds. Over the last week the central bank had been using Treasury Bills as the main instrument to minimise the monetary expansion implied by the opening of emergency credit lines to cash-strapped banks.

Sr Alfredo Concepcion, the governor of the central bank, justifies the measures by saying that they were aimed at re-establishing public confidence in the local banking system. He refuted speculation that the move could eventually lead to a nationalisation of deposits.

"I am a firm believer that state intervention in the *banking system* should be kept to the minimum necessary. I hope that when the 120 days are up we will be able to proceed with responsibility, efficiency and solvency," Sr Concepcion said in a radio interview.

Continued on Page 14

Israel lifts taxes and prices in bid to curb soaring inflation

BY DAVID LENNON IN TEL AVIV

ISRAEL'S CABINET increased taxes and prices and announced a series of other economic measures after a marathon 12-hour meeting yesterday devoted exclusively to finding ways to alleviate the country's economic problems.

The meeting was held against the background of the resurgence of hyper-inflation last month, as well as the huge deficit in the balance of payments and the continuous erosion of foreign currency reserves.

The Government's attempt to *curb inflation* and stabilise the economy through a voluntary agreement with the unions and employers to control wages and prices suffered a severe blow as inflation in April soared to nearly 20 per cent, bringing the cumulative rate for the first four months to 59.8 per cent. The rate for the whole of last year was 440 per cent.

The new measures include a 2 per cent increase in value added tax to 17 per cent, an increase of 10 to 20 per cent in the purchase tax on imported goods, increases in the prices of government subsidised basic commodities and transport, a three-month freeze on government contracts and on job hiring in the public sector.

The radical Popular Front for the Liberation of Palestine-General Command guerrilla group will exchange three Israeli soldiers today for 1,150 Palestinians and Lebanese held by Israel, Reuter reports from Damascus.

The Histadrut trades union federation warned the Government yesterday that it would *not agree* to any attempts to alter existing wage agreements.

The Cabinet also approved a new law limiting the Government's power to cover the *budget deficit* by ordering the Bank of Israel to print money. The law provides for this practice to be eliminated over two years.

Mr Adi Amorai, the Deputy Minister of Finance, said that the central bank would be able to print only $1.2bn (in shekel equivalent) this year compared with $1.9bn last year. "If the Government is short of money it will have to try to borrow from the public," he said.

Mr Amorais added that the Government had made a mistake in not introducing the law before it and the Knesset (Parliament) approved the 1985-86 budget. "If it had been in force then, it would have left the ministers with no option but to cut their budget."

The new law is a response to U.S. pressure to make the central bank more independent by removing the Government's power to force it to print money.

CONTENTS

OVERSEAS NEWS

European split on space weapon research widens

BY RUPERT CORNWELL IN BONN

DEEP ROOTED differences between the European allies over Washington's space-based Strategic Defence Initiative (SDI) emerged clearly over the weekend at a session in Stuttgart of the North Atlantic Assembly.

The assembly, which links parliamentarians from the 16 member states of the North Atlantic Treaty Organisation (although Greek delegates were missing because of their general election campaign) has no official status within Nato. Bnt its deliberations in Stuttgart indicated that doubts about the merits of European participation in SDI are if anything growing—even if there was a strong consensus in favour of Europe at least making a common reply to the U.S. offer of SDI involvement.

Representatives of France, Denmark and Norway made clear their refusal to participate, while General Wolfgang Altenburg, Chief of Staff of the Bundeswehr, told the assembly's military committee that SDI as it stood raised more questions than It answered.

Mr John Gardner, director of the SDI department of the Pentagon moreover admitted that if the system was in place, it might tempt the Soviet Union to increase its offensive weaponry—thus strengthening the fears of opponents of SDI, who have argued that it would merely contribute to an acceleration of the superpowers' arms race.

Within West Germany itself, voices have been raised doubting the merits of involvement, the merits of involvement, despite the apparent inclination of Chancellor Helmut Kohl himself to have Bonn contributing to the project.

Herr Has Dietrich Genscher, the Foreign Minster, who has long been visibly less enthusiastic than Herr Kohl about SDI, warned cryptically at the weekend after talks in Vienna with his U.S. and Soviet opposite numbers that armaments in space was "incompatible" with detente.

For his part, former Chancellor Helmut Schmidt said in a newspaper interview in Israel, which be is currently visiting, that West Germany should stay out of SDI research work, and instead join the Eureka initiative promoted by France.

Europe should avoid being drawn into a position where it became "dependent on the U.S. military-industrial complex," Herr Schmidt said.

Western European Union representatives meet today

BY DAVID HOUSEGO IN PARIS

PARLIAMENTARIANS from the seven-nation Western European Union (WEU) gather in Paris today in a mood of disappointment that proposals by foreign and defence ministers to inject life into the organisation have so far produmed few tangible results.

The three-day meeting of the WEU assembly is expected to be dominated by this and the generally reticent attitude of the parliamentarians towards a European participation in the U.S. Strategic Defence Initiative (SDI).

The proposal to reinvigorate the WEU as a "European pillar" of the Atlantic defence Community was a French initiative. It was endorsed by foreign ministers of the other member states at their meeting in Rome in October 1984—an endorsement that reflected the collective preoccupation of governments that the public disquiet at the deployment of U.S. missiles in Europe gave new urgency to the need for defining the role of a "European pillar" in the Alliance.

Bnt the momentum generated at the Rome meeting was largely dissipated when defence and foreign ministers met again in Bonn last month. In the eyes of some parliamentarians, the loss of momentum was reflected in the decision to name Mr Alfred Cahen, a senior Belgian diplomat as the new Secretary General of the organisation, as opposed to a politician who would have carried more international weight.

At the same time the parliamentarians were disappointed that ministers at Bonn gave only the vaguest definition to the three new agencies that they decided to set up within the WEU. It is still unclear exactly what these bodies—covering disarmament, security and defence, and armaments development—are intended to do.

After being the most enthusiastic for the reinvigoration of the WEU, France's recent cooler attitude towards the organisation has been widely noticed. No member of the French Government is scheduled to attend the meeting.

The U.S. also recently made clear its dislike of European co-ordination through the WEU when Mr Richard Burt, the U.S. assistant secretary of atate, warned the member states against formulating positions on defence outside the Nato Alliance.

Baldrige holds trade talks in Moscow

By Patrick Cockburn in Moscow

MR MALCOLM BALDRIGE, the U.S. Commerce Secretary, is to meet Soviet officials is Moscow today in the highest level meeting on trade between the U.S. and the Soviet Union since 1978.

Mr Baldrige will meet Mr Nikolai Patolichev, the Soviet Foreign Trade Minister, at a two-day session of the joint Soviet-American Commercial Commission.

A significant increase in trade between the super powers is unlikely however. Officials in Moscow made clear that although the Soviet Union is interested in importing some manufactured goods such as agricultural machinery from the U.S. almost all big contracts to be awarded outside the country under the 1986-90 five-year plan will go to West European and Japanese companies.

Over the past year Moscow has adopted the practice of awarding some of these contracts on a turnkey basis for rapid completion. In most cases foreign labour will be used.

The Soviet Union imported goods, mostly grain, worth \$3.3bn (£2.6bn) from the U.S. last year. Its exports were worth \$600m.

The significance of the talks is that they take place after a month in which exchanges between Washington and Moscow have been increasingly frosty.

Mr Mikhail Gorbachev, the Soviet leader, made this clear over the weekend in an interview on Indian affairs. Mr Rajiv Ghandi, the Indian Prime Minister, is to start a five-day visit to the Soviet Union next Wednesday.

Mr Gorbachev accused the U.S. of constantly building up its strength in the Indian Ocean and had "unilaterally broken off the Soviet-American talks on limiting military activities in the Indian Ocean."

Soviet desire for a successful visit by Mr Ghandi is all the greater because Moscow's relations with Pakistan have deteriorated in recent months.

● Indian newspapers yesterday forecast a stormy parliamentary debate over a Bill giving Prime Minister Rajiv Gandhi's Government almost unlimited powers to fight Sikh extremists, Reuter reports from New Delhi.

The anti-terrorist Bill goes before the lower house of parliament today and is certain to pass because of Prime Minister Gandhi's overwhelming majority.

Talks today on UAL strike

By William Hall in New York

A FEDERAL mediator is to hold talks today with the management and pilots of United Airlines in a bid to end the three-day-old strike at America's biggest airline.

The strike, over United's attempts to introduce a two-tier wage structure and pay new pilots considerably less than veterans, has stranded thousands of travellers.

United normally operates over 1,550 daily flights to 139 airports across all 50 U.S. states plus Canada, Mexico, the Bahamas and the Far East. The company said it expected the number of flights operated this week to increase from the 14 per cent expected last weekend.

This is not enough, however, to avert widespread disruption this week especially amongst U.S. business travellers.

Treason trial of 16 begins in S. Africa

BY ANTHONY ROBINSON IN PIETERMARITZBURG

SOUTH AFRICA'S most important treason trial for over two decades begins in the Pietermaritzburg Supreme Court today, when 16 prominent members of the multi-racial United Democratic Front (UDF) face a 600-page indictment for the common law crime of treason and alternative charges under the country's draconian internal security laws.

The defendants will include two UDF presidents, Mr Archie Gumede, 71, and Mrs Albertina Sisulu, wife of African National Congress (ANC) executive. Walter Sisulu, who was jailed together with ANC leader Nelson Mandela in 1964.

The others include six prominent Asian leaders of UDF affiliates, of whom five took part in the occupation of the British Consulate in Durban last year, together with four leaders of the black South African Allied Workers' Union (SAAWU), a radical UDF-affiliated trade union.

The trial is expected to last at least 18 months and the state has given notice that it intends calling over 120 witnesses to bolster its case that the accused have used the UDF and other organisations "to further the aims of the revolutionary alliance."

The "alliance," composed of the banned ANC and South African Communist Party and the South African Congress of Trade Unions, is committed to the violent overthrow of the South African state.

Defence lawyers have prepared a 100-page request for clarification of specific items in the indictment and expect the first session to be brief, followed by a possibly lengthy adjournment. The indictment is based largely on speeches made over the last four years, including those against the new Tri-cameral constitution and supporting the UDF-led movement to boycott the elections to the new Asian and Coloured (mixed race) chambers.

The maximum penalty for treason is death. Four other treason trials involving another 14 people will begin shortly in the Transvaal.

The Pietermaritzburg trial, more important than any since the "Rivonia" trial which ended in 1961 will be presided over by the Judge President of Natal, Jndge John Milne. He enjoys a high reputation as an upholder of the traditions of judicial independence and angered the Government earlier this month, by over-ruling the Attorney General and granting bail to the 16 accused.

The political nature of the trial, however, has been underlined by President Pieter Botha, and Minister of Law and Order, Louis le Grange, both of whom fiercely attacked the UDF as a front for the banned ANC and Communist Party and accused its leaders of fermenting "a revolutionary climate."

Over 350 people have died in violence in black townships over the past nine months. Opinion is divided between those who believe violence is instigated by the UDF and ANC and those who believe the origins lie in the apartheid system itself and that the arrest of UDF and other leaders has increased violence by removing those with the authority to keep violence in check.

Blyvooruitzicht, 40 miles west of Johannesburg, is the latest South African gold mine to be affected by the wave of black labour unrest in the industry, writes Jim Jones in Johannesburg. On Friday night and Saturday morning 9,000 miners stayed away from work in protest against the sacking of two black miners whom, management says, had been intimidating and threatening a fellow worker.

Mr Clive Knobbs, Blyvooruitzicht's chairman, confirmed that mine security officials had used tear gas to disperse demonstrators on Saturday. Mine officials and employees are due to hold talks today. On the agenda are alleged infringements of the Mines and Works Act (which prevents blacks from occupying responsible positions in the mining industry); the price of alcohol in mine bars and demands that production bonuses to be extended to all black employees.

Police firing birdshot, rubber bullets and teargas killed a black man during renewed arson and rioting in South Africa's black townships, police said yesterday, Reuter reports.

The man died in Duduza, east of Johannesburg, following a funeral for a recent victim of the unrest.

Police said seven houses, including the homes of four black policemen, were set alight in Duduza overnight. Police vehicles were stoned and petrol-bombed and one policeman was injured.

Two Shi'ite bombs explode in Riyadh

BY KATHLEEN EVANS IN DUBAI AND FINN BARRE IN RIYADH

TWO BOMBS exploded in the Saudi Arabian capital of Riyadh over the weekend, killing one person and injuring three. The Shi'ite Moslem Islamic Jihad group claimed responsibility for the blast and announced that they were the beginning of a bombing campaign within the country.

The group's statement, issued in Beirut, warned that the Riyadh blasts "were just a minor specimen of a aeries of blows which would be made in Saudi towns." Recent Sandi attempts to set up a rapprochment with the Islamic Republic of Iran would not deter Islamic Jihad cells in Sandi Arabia, it said.

The statement is thought to be a reference to the current visit to Tehran by the Saudi Foreign Minister Prince Faud al Feisal, the first by a senior Saudi official since the overthrow of the Shah. The visit represents a breakthrough in relations between the Arab Gulf state and the Islamic republic.

The Iranians are likely to take the opportunity to urge Saudi Arabia to end its financial support to its ally, Iraq. The Gulf States are believed to have channelled some \$40bn (£30bn) into Iraq to help fight the war against Iran. Last year a Saudi fighter aircraft shot down an incoming Iranian plane following attacks on its shipping in the region.

One of the Riyadh bombs exploded across the street from a Western-style pizza parlour on Saturday killing a Filipino worker and seriously injuring three other persons. The second blast, a little later, was 50 metres away from a compound where American military advisers to the Sandi Arabian National Guard live. No injuries were reported in the second blast.

U.S. officials say their embassy received no warning of the attack and were not interpreting the bomb as being directed against Americans. Islamic Jihad was responsible for the two Beirut bombings in which U.S. marines and diplomats were killed.

The Sandi Ministry of Interior had no comment and local newspapers have been told by important princes to refrain from publishing further accounts of the incidents. Saudi Arabia has an important Shia Moslem minority in the oil-rich Eastern Province.

In Tehran yesterday Prince Saud met Mr Ali Akhbar Velayati, the Iranian Foreign Minister, who presented Prince Saud with a detailed account of "Iraqi war crimes and violations of international convention" and told him that Iran would continue its "just" struggle against the Baghdad regime.

The Iranian Press struck a more optimistic note about the visit, however, saying it could prove successful in normalising relations between Iran and Saudi Arabia.

Moslem groups sceptical of Christian offer

BY RICHARD JOHNS

THE two leading Moslem factions greeted with scepticism yesterday the apparently conciliatory move by the Lebanese forces, the combined Christian Militias, to pull out their outnumbered units in the town of Jezzine and elsewhere in the south.

A statement issued at the weekend by Mr Elie Hobeika, recently appointed chief of the Lebanese forces who has undertaken to co-operate with Syria in resolving the Lebanese political crisis, also said that the faction would close down its Liaison office with the Israeli Government in Jerusalem.

Its continued existence has ben a major source of contention with the Moslem factions, in particular the Shi'ite Amal Movement.

Moslem scepticism is based largely on awareness of Mr Hobeika's known links with the Israelis. No definitive reaction came yesterday from either Amal or the mainly Druze Popular Socialist Party but that may have to wait full consideration from Syria. The declaration is seen as a manoeuvre by the Lebanese forces to buy time.

Saturday's announcement was clearly aimed at improving relations between the Christian Maronites and Damascus in advance of the planned meeting between President Amin Gemayel of Lebanon and President Hafez al Assad of Syria.

Immediately it did nothing to ease the tense three-week shooting confrontation between Moslem and Christian militias facing each other across Beirut's "green line."

Thunderous exchanges of fire involving several thousands of rounds of heavy ammunition rocked the Christian eastern and the predominantly Moslem western sector over the weekend in one of the worst bonts since a Christian offensive against Palestinians near Sidon broke an uneasy truce.

Fatal casaulties, reported as only two dead, seemed disproportionate to the volume of rocket and mortar fire.

Emergency declared as fire sweeps Florida

BY OUR NEW YORK CORRESPONDENT

THE Governor of Florida has declared a state of emergency and called in the National Guard as the worst forest fires in the state's history swept across highways and temporarily blacked ont large parts of southern Floride.

The fires are a direct result of the extended drought which has hit many states along the eastern U.S. seaboard. Florida bad only 50 per cent of its normal fainfall in recent months and high winds and low bumidity have led to the outbreak of dozens of fires.

The worst bave been raging along a 100-mile stretch of coastline from St Augustine in the north to Cape Canaveral in the sonth. Hundreds of luxury bomes have been destroyed in the Palm Coast area and National Guard units have been brought in to stop looting.

Florida's Governor, Bob Graham, declared a state of emergency on Saturday and state officials said that 99 fires, some out of control, continued to burn in 27 of the state's 67 counties. One fire disrupted electricity lines supplying communities from Palm Beach to the Florida Keys on Friday but supplies have since been restored.

Rain fell across parts of the state yesterday bringing some relief to exhausted fire-fighters.

Managua claims contras face strategic defeat

BY TIM COONE IN MANAGUA

THE U.S.-backed contras fighting inside Nicarsgua are facing a strategic defeat, according to Commander Umberto Ortega, the Nicaraguan Defence Minister, as a result of the sustained military offensive government forces bave been carrying out since February.

Speaking at a military parade close to the Honduras frontier on Saturday, Commander Ortega, said that the bulk of the guerrilla forces bad fled into Honduras and Costa Rica and that in this year alone, 1,200 contras bad been killed. This was equivalent to some 10 per cent of their estimated strength.

The defence minister said that Nicaragua's military mobilisation is to increase with the aim of destroying this year the guerrilla forces that remain in the country.

He called upon the Honduran Government to move against guerrilla sanctuaries on its territory and added that be was boping for a meeting with General Walter Lopez, the Honduran armed forces commander, to discuss means of avoiding border incidents between the two countries' armed forces.

IRISH GRANT POLICY REVIEWED

FitzGerald defends Hyster veto

BY BRENDAN KEENAN IN DUBLIN

THE IRISH Government will apply stricter criteria in grant aiding foreign companies in future, according to the Prime Minister, Dr Garret FitzGerald.

Dr FitzGerald was defending the decision to turn down a proposal agreed between the country's Industrial Development Authority (IDA) and Hyster of the U.S. to build a plant near Limerick employing 800 people.

The Prime Minister said that Irish governments in the past had abdicated their function of determining the policies to be operated, the circumstances in which grants would be paid, and the input needed from foreign companies locating in Ireland.

Decision opposed

Hyster moved its investment to the Netherlands after the Irish Government asked the company to put up an extra I£1m (£806,000) towards the cost of the project. Ministers claim the exchequer's total exposure was I£14m, compared to only I£1m by the company.

The IDA is clearly unhappy at the decision. It disagreed with the government in a public statement, saying the deal was the best which could be negotiated and represented value for money.

Dr FitzGerald said the previous Fianna Fail Government had had no industrial policy and had given IDA too much of a free rein. In future, he said, IDA would operate under the Government's industrial policy which gives preference to foreign investment which locates key functions in Ireland, and maximises the value added to the economy.

Competitive climate

IDA officials will be worried that this new tougher stance, could damage Ireland's position in the increasingly competitive climate for mobile investment. IDA has always boasted that it offers "one stop shopping" and that a deal, once concluded, will be honoured.

In future, investors will have to wait to see if the Government approves the deal before it goes ahead.

The Irish Press Group, which publishes two Dublin dailies and a Sunday newspaper, has laid-off its 850 employees in a dispute over the introduction of new technology.

The management decided to close the papers, which have been making losses in recent years, after it failed to reach agreement on the introduction of computerised typesetting with members of the Irish Printers' Union which, along with the National Graphical Association, is the major print union in Irish newspapers.

Members of the union are balloting on the management proposals. Their leaders have recommended rejection of parts of the deal. The ballot results are not expected before Wednesday and the papers could be off the streets for at least a week. The Irish Press Group could lose Ir£5m this year according to some reports.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. U.S. subscription rates \$420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Krugerrand marketing company fails

By Jim Jones in Johannesburg

SOUTH AFRICA'S largest domestic seller of Krugerrands, the South African Gold Coin Exchange (Sagce), has been placed under voluntary judicial management because it is unable to honour repurchase guarantees.

The move follows the announcement by Intergold, the Krugerrand marketing arm of the Chamber of Mines, that new Krugerrand sales fell worldwide in April.

Buyers had opted for the Canadian maple leaf gold coin, instead of the Krugerrand. As one of the subjects of a campaign against apartheid, the Krugerrand's American sales have been particularly affected.

The Sagce has been a major factor in popularising Krugerrand sales in South Africa and claims to have about 20 per cent of the South African market in ordinary Krugerrands and about 70 per cent of the market in "proof" Krugerrands.

It is now seeking protection from a possible R22m liability under guarantees to repurchase proof Krugerrands between May and October.

Proof Krugerrands are peculiar to South Africa. Normal Krugerrands are valued simply by reference to current gold prices, but proofs, the Sagce has persuaded buyers are worth more because of their appearance.

The Sagce provided buyers of proofs with fixed-price repurchase guarantees to back up its claim in the past few years, about 25,000 South Africans have bought proof Krugerrands for over R400m, with an intrinsic value of R200m. The marketing of proof Krugerrands started in the U.S. late last year.

Portugal's PSD elects new leader

By Diana Smith in Lisbon

SR ANIBAL Cavaco e Silva has been elected the new leader of Portugal's troubled Social Democrat Party (PSD), junior partner in Sr Mario Soares centre left coalition—the third PSD leader in less than three months.

The outgoing PSD president, Sr Rui Machete, who is deputy premier and Minister of Defence, was unable to get enough party support to be a candidate for leadership.

The change in leadership poses serious problems for Sr Soares who has struggled for two years to keep the faltering coalition on the rails. Sr Cavaco e Silva is believed not to favour a continued relationship with the Socialists, but rather to want a breach and a clearer definition of the Social Democrat's role.

He was Finance Minister under the late Francisco Sa Carneiro and considered a particularly strong-willed and dynamic minister. His rise to the leadership raises questions about whether the present Finance Minister, Sr Ernani Lopes, can stay on in his post.

The differing points of view over the presidential elections, and the assertiveness of the new PSD leader, are likely to provoke a serious government crisis just as Portugal had begun to stabilise economically and regain confidence.

UK hopes of winning Soviet contracts fall after 'spy' expulsions

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT

BRITISH hopes of winning major new capital plant projects in the Soviet Union have sunk at least temporarily, following postponement of two Soviet ministerial missions to the UK, apparently in reaction to the British-initiated round of tit-for-tat "spy" expulsions in mid-April.

The latest move is last week's Soviet request that the inter-governmental Anglo-Soviet joint trade commission meeting, set for June 4-5 in London, be postponed. A Soviet deputy trade minister had been expected to lead the Soviet delegation in talks with the British side, led by Mr Paul Channon, the UK trade minister.

Earlier, Mr Vladimir Listov, the Soviet chemicals minister, had abruptly postponed arrangements for a trip to London in late April or early May.

Hitherto British trade prospects had not been perceptibly hurt by expulsions of Soviet officials from London, which have occurred at quite regular intervals since 1981.

UK officials are, however, not yet describing the Soviet postponements, explained by Moscow on non-political grounds, as a definite setback. British hopes of getting some of the mega-contracts envisaged in the forthcoming Soviet 1986-1990 plan had been riding high following a 65 per cent increase in British exports to the Soviet Union last year to £735m and Mr Mikhail Gorbachev's forecast in London last December that Anglo-Soviet trade could rise a further 40 per cent this year.

The largest contracts for which UK companies are bidding are a polyester plant at Ufa in south-western Siberia and potentially worth around $1bn, for which Davy McKee, using ICI technology, and Cementation are tendering, and a polyoleofins plant in southern Russia for which John Brown, in conjunction with West German companies, is contending.

The Soviets are expected to stress turnkey projects, built by foreign contractors from start to finish, more than ever in their plan, following the smooth completion of a Belorussian steel mill last year by Voest-Alpine, the Austrian company, on this basis. This would increase the potential rewards to Western companies of doing business in the Soviet Union.

However, Moscow may be pressing harder than ever for Western trade finance because of its own heavy loans outstanding to the Third World, according to an analysis by Dr Jan Vanous, director of Plan Econ, a Washington research organisation. He calculates that Soviet hard currency credits to developing countries may have risen by as much as $5.3bn (£4.2bn) last year

Norwegian groups may drill for Soviet oil

By Fay Gjester in Oslo

SEVERAL Norwegian oil companies have been invited to apply for a petroleum exploration licence in the Soviet sector of the Barents Sea, and at least one of them—Saga Petroleum—is considering acceptance.

An area in the middle of the Barents Sea is the subject of a longstanding boundary disagreement between Norway and the USSR, but the invitations to apply for licences are understood to concern the undisputed part. They have been issued not by the Soviet authorities but by a Norwegian-Finnish company, Pomor-Nordic Trade, which has close business links with the USSR.

Pomor-Nordic has apparently been told by the Russians that a joint licence application by itself and a Norwegian oil company would stand a good chance of being granted. It has established a petroleum offshoot, Pomor Oil, and approached 'several' Norwegian oil firms, though it will not say which.

Saga Petroleum has confirmed that it is among those approached, and that it is studying Pomor's offer. But it said it had not yet contacted Moscow.

Japanese in Thai fertiliser deal

BY BOONSONG K'THANA IN BANGKOK AND IAN RODGER IN LONDON

TWO JAPANESE consortia, headed by Chiyoda and C. Itoh and including Austrian and British contractors, have won the main contracts for building a $250m (£200m) fertiliser complex in Thailand.

Thailand's partly state-owned National Fertiliser Corporation (NFC) has sent letters of intent worth $138m to the two consortia. The first, headed by Chiyoda Chemical Engineering and Construction and including Marubeni of Japan and Voest-Alpine of Austria, will build a 900 tons per day ammonia plant and two 1,000 tons per day urea plants for $74m.

The other, headed by C. Itoh, and including Davy McKee of Britain and Mitsui Engineering and Shipbuilding, will build a 2,180 tons a day sulphuric acid plant, a 720 ton a day phosphoric acid plant and related granulation plants for $64m.

The contract values are roughly half those estimated by Foster Wheeler, NFC's consultant, indicating the fierce competition for work on the complex to be built in Rayong, the eastern seaboard province.

Negotiations on the third main contract, for buildings and off-site utilities, are in the final stage between NFC and Dragados Y Construction of Spain. The Spanish company has tentatively agreed to trim its bid to $111m, against the $224 originally estimated by Foster Wheeler.

The three contracts are expected to be signed in the next few months and the complex is due to be completed in December 1987.

Davy McKee said its portion was worth several million dollars. It will provide the basic engineering for the phosphoric acid and granulation plants and ancillaries and provide specialist technical supervision on and off the site for those plants. It will also handle procurement in the UK.

● One of China's biggest joint ventures, a proposed $600m Sino-U.S. coal mining project, appears to be back on course after months of delay caused by a slump in coal prices and a dispute over wages, Reuter reports from Peking.

Occidental Petroleum and two Chinese organisations announced in a joint communique, quoted by the official New China News Agency (NCNA), they have agreed to sign a contract setting up the joint venture. NCNA said the agreement was expecte to be signed before June 30.

Matsushita set for China joint venture

BY CARLA RAPOPORT

MATSUSHITA Electric Industrial, the world's largest electrical appliance manufacturer, is shortly expected to announce a Y30bn (£95m) joint venture with the Chinese to build a television components factory near Peking.

The deal, which will be the Japanese company's first joint venture with China, results from the remarkable demand for colour televisions in China over the last few years. The market is expected to more than triple this year, from 2.3m sets in 1984 to an estimated 7.5m sets this year, a figure which rivals Japan's domestic sales for colour TV sets.

Matsushita confirmed on Friday that it was negotiating with China National Electronics Devices on the proposed joint venture and hoped to reach a final agreement within the next month or two. Construction on the factory, which is expected to begin shortly after final agreement is signed, should take around two years.

The 50/50 joint venture will be between the Matsushita group and Beijing Electron Tube Factory. The initial plans call for the new factory to produce 1.5m cathode ray tubes annually for two colour television assembly plants in Peking. China currently has 46 television assembly factories.

Matsushita's exports to China in the year ended last September totalled about Y26bn and are expected to nearly triple to Y75bn in the current year.

Items in heavy demand by the Chinese have been refrigerators, washing machines, and the whole range of electrical goods from calculators to video cassette recorders. Matsushita's best-known brand names include Panasonic, National, Technics and Quasar.

The popularity of VCRs in China is believed to be one reason for the increased need for television components such as cathode ray tubes. China's television assembly plants have fallen behind demand in recent months because of the growing sales of VCRs.

Matsushita said it is currently evaluating numerous requests from China for the creation of further joint ventures for the production of a variety of appliances, including audio equipment, refrigerators and domestic appliances.

Nigeria to act on overdue trade debts

By Patti Waldmeir in Lagos

NIGERIA is planning to issue some $530m £424m) in promissory notes next month as part of the protracted rescheduling of several billion dollars of its overdue trade debts, according to bankers.

Nigeria agreed over a year ago to reschedule uninsured trade debt arrears which had accumulated primarily in 1982-83, through the issue of six-year promissory notes to creditors. So far only $329m in notes have actually been issued, out of total legitimate insured and uninsured debts estimated variously at between $5bn and $7bn.

A further $149m in claims by export credit agencies have been approved by the Nigerian Government but a continuing stalemate between Nigeria and the agencies on terms of rescheduling the insured debts have meant that no notes have been issued to cover these debts.

Nigeria's planned timetable is to issue around $530m in notes in June

The timetable calls for a further $1.6bn in notes to be issued in July and August,

Bankers in Lagos said they were sceptical that their timetable could be met.

British exporters fear losing E. Europe deals

BY TOM SEALEY

BRITISH COMPANIES fear they are losing business in Eastern Europe because of extensive delays by the Department of Trade and Industry (DTI) in granting export licences for high-technology equipment covered by the Co-Com strategic export controls. A recent submission to the Foreign Affairs Committee of the House of Commons by the government-backed East European Trade Council states: "The backlog in granting applications for export licences has reached almost overwhelming proportions."

The root of the problem appears to be changes in CoCom rules which were designed to make life easier for exporters by easing controls on less sensitive items. At the same time, however, the rules also defined more precisely the characteristics of sensitive and highly sensitive items. This approach has resulted in a far more complex set of rules, which require extensive technical knowledge and experience to interpret.

The number of applications has increased dramatically because of the apparent easing of the rules.

The net result is that some British exporters are waiting up to 11 months to get their applications approved by the DTI, which has, belatedly, recognised the problem and increased its staff to handle licence applications.

WORLD SHIPPING REPORT

Markets slacken further as summer tail-off begins

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING markets took on a more listless aspect last week under the influence of the usual summer tail-off in activity. In the dry cargo sector, which saw an upturn earlier this year, rates tended to drift lower, while tanker trading was also slack.

Further evidence of the dire straits in which many shipping companies are in after a long period of weak freight rates came with the news from Tokyo that the Ministry of Transport is looking at ways of bailing out debt-ridden Sanko Steamship.

Sanko stunned the shipping world two years ago with its plans to order well over 100 bulk carriers from Japanese yards. Many of these have been delivered, though Sanko has been trying to obtain postponements for the rest.

To find work for the new ships, mostly in the handy-size range of 25,000-40,000 deadweight tons, Sanko has been undercutting prevaling, and already low, rates. Cumulative financial losses of Sanko are estimated at Y145bn (£485m)

In spite of the lacklustre state of shipping markets, slightly fewer ships were idle at the start of May than a month ago, according to the latest Lloyd's Monthly List of Laid up Vessels. The level at May 1 was 1,280 vessels of 63m deadweight tonnes against 1,312 of 64.1m dwt in April.

The tanker sector, where VLCCs (very large crude carriers) have long suffered from a trading malaise, showed the largest improvement, with 333 ships of 52.6m dwt laid up compared with 343 of 53.6m the previous month.

World Economic Indicators

RETAIL PRICES
(1980 = 100)

	Mar. '85	Feb. '85	Jan. '85	Mar. '84	% change over previous year
W. Germany	120.9	120.5	120.0	117.9	2.5
France	155.8	154.7	153.9	146.4	6.4
Italy	186.4	185.1	182.9	170.6	9.3
Netherlands	121.9	121.0	120.6	118.9	2.4
Belgium	139.8	138.7	137.2	132.2	5.7
UK	138.8	137.5	136.4	130.9	6.0
U.S.	129.1	128.6	128.1	124.5	3.7
Japan	113.4	112.9	113.8	111.6	1.6

Source: Eurostat

ADVERTISEMENT

FOCUS ON OVERSEAS INVESTMENT AND CAPITAL EXPORT

NOMURA: An International Strategy

By Richard C. Hanson

Nomura prides itself in being customer-oriented, standing firmly on the twin pillars of sound research and a commitment to internationalisation.

At a time of deregulation and liberalisation across the world's financial markets, Nomura no longer distinguishes between domestic and foreign operations. A leading voice in Japan's own liberalisation. Nomura's corporate strategy is to integrate all activities into one internationalised operation.

In 1964, Nomura opened an office in London. Nomura International now co-ordinates the full range of financial services and research activities offered by the group throughout Europe. Hitoshi Tonomura, President of Nomura International Limited in London and a Director of the Nomura Securities Co., Ltd., Tokyo, discusses the management philosophy of the Nomura operation.

Hanson: What does liberalisation in the Japanese markets mean as far as Nomura is concerned in offering international services?

Tonomura: It is clear that the yen is becoming more international and increasingly important in the world's money markets. Along with this trend yen financing will become more easily available. Consequently, Nomura will be able to provide an even broader range of services to clients worldwide. For example, the lifting of the ban 1st December last on private non-resident companies issuing Euroyen resulted in 22 Euroyen bond issues totalling yen 478.5Bn, of which Nomura underwrote 42%.

Hanson: What about future deregulation?

Trading in Foreign Shares

Tonomura: Deregulation implemented from 1st April is quite typical. Controls on those seeking capital by way of Euro and Samurai bonds were considerably eased, making such borrowing more attractive. Looking further ahead, if the present regulations governing both the listing and trading of non-Japanese equities on the Tokyo Stock Exchange are eased, the result would be very active trading in foreign equities by our Japanese clients. Nomura would then be able to place much more U.K. stock with Japanese investors. A good example of this is British Telecom; since last December Nomura has placed 180 million shares with Japanese investors, most of whom are still holding them.

Hanson: It appears that a Tokyo offshore market is now a possibility. What will it mean for Nomura if this becomes a reality?

Tonomura: I agree that a feasibility study is now underway, but the concept is still somewhat abstract. At this stage we are still not sure what impact it would have on Nomura, as it is not clear which type of offshore market may develop. For example, it could be like the London market which includes securities transactions or it may exclude them as in New York.

Hanson: Japan is currently the number one net lender to the rest of the world. How do you see the role of Japanese investors developing?

Tonomura: Statistically, in 1984 net investment by Japanese investors overseas was $26.8Bn, including equities and bonds. However, one has to distinguish between institutional and private investors. So far international diversification has been more or less limited to financial institutions. They have been mainly involved in bond investment and have been looking for higher yields, and therefore mainly involved in the U.S. markets. Private investors on the other hand have until recently been mainly domestic oriented. There was a short period in the seventies when private investors turned to the U.S. market, but many got their fingers burnt because of the appreciation of the yen. However, as the trade surplus continues so capital outflow from Japan will increase. From now on we can expect a marked increase in international investment by Japanese private investors and business corporations.

Hanson: I can see the argument for overseas investment under current circumstances, but do you expect this to be an ongoing trend?

Tonomura: Unless there is a major collapse of the dollar, net investment in foreign bonds will continue for three reasons: The interest rate differential between Japan and the U.S. should remain substantial even if U.S. interest rates do decline. Secondly, Japan's financial institutions will continue to record substantial fund surpluses. Thirdly, success breeds confidence. Japanese investors have recently become much more comfortable in investing in foreign bonds and they have achieved very good results in these operations. So unless there is an extreme devaluation of the dollar, this trend will continue.

Hanson: So assuming this trend continues and Japan maintains its high trade surplus levels, the market in foreign bonds will become increasingly lucrative. Will Nomura be able to maintain its competitive edge amidst the international competition?

Tonomura: Currently some $55Bn in foreign bonds are owned by Japanese investors, of which 55% were bought through Japanese securities houses. Our expectations are for this activity to expand vigorously in the future, leading to increased efforts by foreign securities companies to improve their market share, which in turn will lead to generally increased competition to achieve the business.

Hanson: Will you be able to compete in providing adequate information on overseas bonds under those circumstances?

Mr. Hitoshi Tonomura
President of Nomura International Limited and Director of the Nomura Securities Co., Ltd.

The Strongest Link with Japan

Tonomura: I am sure that some foreign securities houses may be able to provide better information or service in some areas than we can. However, Nomura has the strongest link with the Japanese investors.

Hanson: So your international comparative advantage comes from having your home base where the surplus capital is?

Tonomura: In one sense yes, although you do have to provide the services to match the opportunities! Our situation could be likened to that of the Swiss banks. They benefit from large assets that are deposited in Switzerland for safekeeping. However, they have acquired the skills to cope with this; Nomura International should similarly become a bridge between the Eurodollar market on the one hand and Japanese savers on the other.

Hanson: What are the aims for Nomura International in London?

Two-Way Investment

Tonomura: In a nutshell, prompting two-way investment. In the early days in London, that is up until this decade, the primary emphasis was on promoting Japanese equities and bonds to European investors who were able to take advantage of the fast growth of Japan's economy. Now the situation has changed. With capital flowing from Japan to the U.S. and Euromarkets we are heavily involved from a brokerage standpoint.

Hanson: How do you see the underwriting side developing?

Tonomura: Many Japanese companies wish to raise capital in Europe. Consequently, we extend our domestic service and bring them to the Euromarkets. On the other side of the coin many Western companies now, as a result of liberalisation, wish to raise capital through the Samurai bond market and in the Euroyen market. Consequently, Nomura is attempting to facilitate a more active Euroyen market which will see the development of many new instruments as liberalisation proceeds. We have already seen Euroyen CBs and may expect SBs for Japanese borrowers and perhaps even Euroyen FRNs.

Hanson: Does this mean that Nomura International now plays a larger role in the Nomura operation worldwide?

Tonomura: Yes. Up to a few years ago, Nomura in London was just a specialist house dealing in Japanese stocks and bonds. Since then we have diversified and we will continue to do so. We are able to provide a London perspective on international events and introduce U.K. based business to the Nomura Group as a whole. The City of London is in a strategic position. Its role as the centre of the Euromarkets is becoming well defined. It is internationalising at a fast pace and Nomura International is part of that international development.

Hanson: But surely Nomura is not truly internationalised in that your overseas offices are mainly run by expatriate Japanese staff?

Tonomura: That was probably true up until say five years ago. However, current staff levels in London are 260. Of these, 51 are expatriate Japanese, but 60 are Western professionals. On top of this we have been running a recruitment programme for graduates from leading universities worldwide over the last five years. This year in London alone we have just recruited 20 graduates who will join our International Training Centre in Tokyo. There they will train together with graduates employed by Nomura companies worldwide before returning to the office of origin. We are a service industry and rely on our staff. These young people alongside their Japanese counterparts are the Nomura of tomorrow. But even today, we have senior local staff, up to managing director level in our overseas operations. In my view, we are an internationalised company by virtue of the international nature of our customers, our services, our locations, and our staff. This has been a conscious strategy for many decades and is still regarded as a fundamental goal by our most senior management.

NOMURA

THE NOMURA SECURITIES CO., LTD.
TOKYO HEAD OFFICE
9-1, 1-chome, Nihonbashi, Chuo-ku, Tokyo 103, Japan
Tel: (03) 211-1811

NOMURA INTERNATIONAL LIMITED
Nomura House
24 Monument Street, London EC3R 8AJ
Tel: (01)283-8811

UK NEWS

Union defies court with strike on London Tube

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS of the National Union of Railwaymen (NUR) are on course for a serious collision with the law over the strike set for today in London's underground railway.

Officials of the NUR and London Regional Transport (LRT) held talks yesterday in an effort to avert the planned indefinite strike over management proposals to extend single-manned train operations. The strike threatens to disrupt considerably Tube services, on which about 2m people travel every weekday.

Today's threatened action has been called by the union without first balloting its 11,000 underground members as required by the Government's 1984 Trade Unioo Act. NUR leaders decided to go ahead with the action despite a High Court injunction obtained by LRT at the end of last week under the Act's pre-strike balloting provisions.

LRT officials warned yesterday that the legal action – one of the first taken by a nationalised industry under the Act – would go ahead. One said: "We are not bluffing."

LRT is likely to wait until it assesses the extent and impact of today's threatened strike before returning to court, although some management officials indicated yesterday that LRT might go back to court as early as tomorrow.

Proceedings for contempt of court would be brought against the 140,000-strong unioo if the strike goes ahead in defiance of the injunction, and the left-led NUR may also face action for damages under the Government's 1982 Employment Act.

Similar proceedings under the 1984 Act's balloting provisions were brought last year by Austin Rover against the Transport and General Workers' Union (TGWU), and the union eventually had £200,000 seized from its funds to cover its failure to pay the fine.

LRT seems likely to press some form of legal action against the NUR, if only to maintain the credibility of its decision to seek a court injunction. Some NUR officials were warning yesterday that the industrial action might spread to British Rail mainline services if further legal steps were taken against the union.

The management forecast yesterday that many staff would refuse to support today's strike because of its clear illegality.

Prospects of averting the strike looked gloomy last night. Only the union's executive is empowered to call off the action. Some members of the NUR executive were standing by for an emergency meeting last night, but LRT reported that the NUR had told it that such a meeting was unlikely.

Nissan sets pay-deal precedent

BY OUR LABOUR CORRESPONDENT

NISSAN, the Japanese car company, is stipulating that all pay deals for employees as its new UK plant in the North-east of England should run for *two* years or more. It *is* thought to be a unique feature of a long-term British industrial relations agreement.

Broad outlines of Nissan's single-union deal with the Amalgamated Union of Engineering Workers (AUEW) – including what is virtually a no-strike clause – were announced last month when the company unveiled its terms, which are unprecedented for the UK motor industry.

Neither the company nor the union mentioned the fact that the written text of the agreement between them includes the provision that all pay deals should run for longer than the 12-month period traditional for UK industrial relations.

The overall agreement states of pay deals: "The company and the unioo recognise the value of agreements which last for two or more years and negotiations will normally be conducted on this basis."

The agreement rules out any additional claims: "There will be no economic claims made separately from the full contract negotiations." These will run from January 1.

Mr Peter Wickens, Nissan personnel director at the proposed Washingtoo plant, stressed that the importance of the deal with the AUEW was not necessarily the text of the agreement, but the atmosphere and philosophy of co-operation.

He said that the value of such long-term deals was twofold. It produced a greater predictability and stability of costs and its considerably reduced the amount of management time spend on negotiations.

Mr Joe Cellini, north-east divisional organiser of the AUEW, said yesterday that there was nothing sacrosanct about 12-month deals. The potential benefits lay in what could be secured in negotiation, not in the timespan of the agreement.

Prices of privatised British Gas may be tied to retail index

BY DOMINIC LAWSON

THE GOVERNMENT'S regulation of gas prices charged by a privatised British Gas Corporation is likely to be based on a mechanism tied to the retail prices index.

The alternative, which would be to limit the new company to a maximum return on assets, is likely to be rejected. This method, while common in the regulation of U.S. utilities, is thought less likely to encourage internal efficiencies.

When the Government announced the privatisation of British Gas a fortnight ago, Mr Peter Walker, the Energy Secretary, told MPs that a regulatory body would be set up to ensure that British Gas did not use its monopoly powers to the detriment of gas consumers.

A similar body, called Oftel, was created last year to perform the same purpose with regard to British Telecom. The Government regards Oftel as a model to be applied to the gas industry and refers to "Ofgas" in internal documents about the proposed gas regulatory authority.

Oftel enforces the observance by British Telecom of a price formula devised by the Government, which limits BT's price rises for inland calls and rentals. The limit is an average of 3 perceotage points below the annual rise in the retail prices index over the next five years.

A similar formula is likely to be applied to British Gas, although it may apply only to the corporation's sales to domestic customers, where inter-fuel competition is less fierce than it is in the industrial sector.

One of the chief aims of the policy is to force British Gas to squeeze greater efficiency out of its distribution network. The Government is also planning to make the privatised gas corporation issue separate accounts for its gas production, distribution and retail businesses.

Lex, Page 14

Coal Board meets over Nacods' overtime ban

BY OUR INDUSTRIAL STAFF

SENIOR officials of the National Coal Board (NCB) will meet today to discuss the fresh problems for the coal industry in the wake of the miners' strike as the overtime ban by the pit supervisors' union Nacods begins to bite.

Mr Ian MacGregor, NCB chairman, is to hold a meeting of the NCB executive. Mr Peter McNestry, Nacods general secretary, warned yesterday that coal production was likely to be delayed today by the ban.

The Nacods action is over what the union sees as an attack by the board on its agreement on pit closures reached last October during the miners' strike.

Mr McNestry forecast that there could be delays of up to two hours today at some pits, while maintenance and safety tasks normally carried out at weekends were performed. The effect of the action would be cumulative.

He said that Nacods members had dealt with a number of emergencies over the weekend, including a pit fire and flooding. But he added: "The reports we are receiving indicate that the ban has been effective." An NCB spokesman said its effects had not yet become clear.

European Ferries to order two new ships

By Andrew Fisher

EUROPEAN FERRIES is to order two new ships this autumn for the Dover to Calais route. They are unlikely to be built in Britain.

The ships, costing about £35m each will form part of European Ferries' £100m fleet expansion programme. The company has 24 vessels.

New hull sections were launched in West Germany at the weekend, to enlarge two ships on the Dover to Zeebrugge route.

Speaking after the launch ceremony at the Schichau Unterweser yard in Bremerhaven, Mr Ken Siddle, chairman of European Ferries, said the group was talking to various yards, including British ones, about the proposed new ferries.

The group, which owns Townsend Thoresen ferry company, will probably build the ships in northern Europe.

"We would love to be able to build in Britain, but the chance of doing it is almost nil" he added.

The group is sceptical about the price and delivery records of UK yards, although *Govan* in Scotland recently won a £40m contract to build a big ferry for the North Sea.

European Ferries' two new ships would have already paid for themselves by the time any new cross-Channel link was constructed. "The tunnel will not be built for 10 years anyway, if at all" Mr Siddle said.

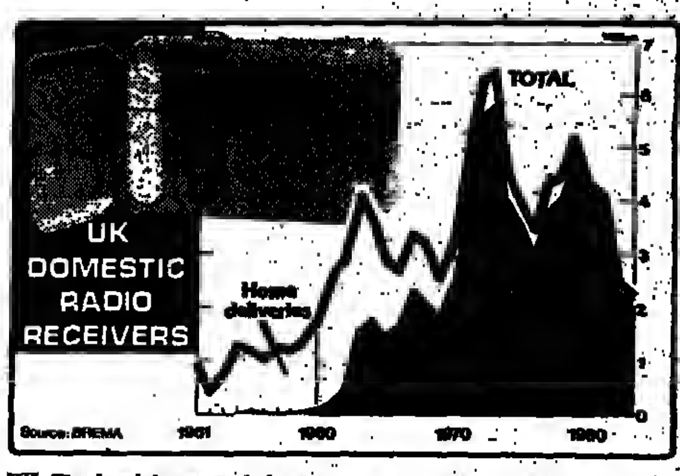
The ships being extended in Bremerhaven are the Free Enterprise VI and Free Enterprise VII. The hulls were welded together for launching but will be separated in dry dock further up river and added to the vessels. Two other ferries will be enlarged in this way.

The converted ships will still have capacity for about 1,000 passengers but will have space for 370 cars, 120 more than at present.

UK returns to manufacturing low-cost portable radios

BY JASON CRISP

LOW-COST portable radios are to be manufacturered in Britain again for the first time in years. A new radio, which will cost arocnd £25 was unveiled in London yesterday by Ross Electronics, a small British company with a successful record in other audio products.



This is the week when the consumer electronics companies show off their wares to the trade at an annual show held in several London hotels, and inevitably dominated by Japanese and other Far Eastern companies.

Ross Electronics believes it has learned enough from the Far East to be able to turn back the tide with its new product.

Far Eastern suppliers have dominated the mass market for radios for 20 years. While imports only accounted for one per cent of the British market in 1959, they rose to over 50 per cent in just five years.

Only Roberts Radios still makes portables in the UK, but these are expensive and not aimed at the mass market.

"We see this oew set as signalling the rebirth of the British consumer electronics industry after many years dominated by Far East products," said Mr Ross Marks, founder and chief executive of Ross Electronics.

Ross Electronics, founded in 1972, claims to have over 50 per cent of the British market for headphones, which are sold through most of the leading retail chains either under its own or brand names. Until last year, Ross had its headphones made in Taiwan but has started manufacturing them in the UK.

In addition to saving on freight and duty, the company believes it can make them more cheaply in the UK. The headphones and the new radio have been designed for capital intensive production. The labour content accounts for less than 10 per cent of the manufacturered cost, says Mr Marks. One lesson he says he learned from the Far East was to sub-contract much of the production and not try to do everything in house.

Ross Electronics is launching the new radio into a flagging market. Demand for portable radios has fallen by over 60 per cent in the last ten years. This is partly because most homes already have at least one, but also because of the growth in demand for clock radios and combined radio and casette players. There has also been a tremendous boom in sales of personal cassette systems, like the Sony Walkman.

However, Mr Marks thinks there is now an *opportunity*. "There is a big gap for a very well designed radio." "Our brief was to produce a radio which would suit all age groups and would fit into every room in the house.

The result, designed by the Michael Peters Group, is a grey radio with rounded edges and a rather 1950s appearance. The tuning and other controls are hidden behind a flap, leaving only an on-off switch visible. This is because most people leave their radios tuned to a single station says, Ross Electronics.

Production begins in July, and the radio will become available in August. Mr Marks believes the only contraint on sales in the first year will be production which is expected to be between 50,000 and 100,000 sets. Exports will not begin until next year.

Mr Dick Roberts, chief executive of Roberts Radio, which imports its lower priced radios from Taiwan, said: "I'm delighted to see another British company manufacturing here. It should help component availability as we are not big enough to attract some of the specialist suppliers to the UK."

Consumer spending rise boosts order books

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE CONSUMER boom is beginning to translate into substantially higher orders for suppliers, according to a survey by the Confederation of British Industry (CBI) and the Financial Times.

The survey shows that the buoyant trend of retailers' sales is expected to continue this month, although business in April was not quite as good as had been expected a month earlier.

Mr John Salisse, chairman of the CBI's distributive trades survey panel, said: "The effect of this improved business in the shops, stores and supermarkets is now feeding through to suppliers, and boosting business for the wholesalers."

For two years, retail sales have continued to improve at a fairly rapid rate of around 4 per cent annually. But the output of British consumer goods manufacturers has been rising sluggishly.

This partly reflects rising exports, but as the CBI/FT survey suggests, distributors have consistently believed stock levels were too high, and the rise in orders appears to have lagged behind the rise in sales.

The survey showed that wholesalers' business in April was better than had been expected, and they are forecasting that this month's sales level will be equally good. Most wholesalers are reporting sales levels well above this time last year.

The proportion of wholesalers expecting to increase orders placed on suppliers was much higher last month than the recent trend, and increased orders are also expected in May.

The exception to this buoyant trend is the outlook for builders' merchants and wholesalers of agricultural machinery, which are expecting sales to be lower than a year ago.

Agricultural machinery wholesalers' business has been hit by the reduction in capital allowances in April and the continuing adverse effect of milk quotas on farm spending. Builders merchants' sales were particularly buoyant at the same time last year in advance of the imposition of value-added tax on repairs and alterations.

The survey results showed that a balance of 52 per cent of retailers reported a higher sales volume in April compared with 12 months earlier.

The balance is the percentage reporting an improvement minus the percentage reporting a decline. This was less than the improvement reported in March, but well in line with the recent trend.

The balance expecting an improvement in May was 59 per cent, the same as in February, but less than the 66 per cent balance expecting an improvement for April.

The balance of wholesalers reporting an improvement in April was 62 per cent, well up on the 25 to 35 per cent balances reported in recent months, and easily the best figure in the last 12 months. Almost the same proportion (61 per cent) of wholesalers was expecting an improvement this month.

The survey showed that a balance of 53 per cent of the wholesalers had increased orders placed on suppliers this month compared with only 12 per cent in March. This compares with an average balance of only about 14 per cent reporting an increase in orders over the previous 12 months. This rise in orders was substantially more than had been expected.

MPs rebel over shop hours

BY JOHN HUNT, PARLIAMENTARY STAFF

THE GOVERNMENT faces a revolt of backbench Conservative MPs in the House of Commons tonight over its proposal to permit shops to trade on Sundays and to legalise late opening during the week.

The trouble is expected to be contained, however, and the Government's proposal approved because of a concession to be offered by Mr Leon Brittan, the Home Secretary.

He will announce that the Government will introduce safeguards against dismissal of staff who refuse to work Sundays on religious grounds. But this will only apply to staff who have been working for a retailer for at least a year before the restrictions are abolished.

Originally it was anticipated that between 30 and 40 Conservative MPs would vote against tonight's government motion which accepts the Auld Committee report recommending a change in the law.

The motion accepts the case for the removal of legislative limitations on shop hours and welcomes government legislation on it.

It is now thought that only about 15 Conservatives will vote against the Government with a larger number abstaining. This means that the motion is likely to be approved and that a short Bill liberalising shop hours will be introduced in the autumn.

The Labour Party has put down an amendment to protect the hours and conditions of shopworkers. On the main government motion, however, it is allowing its members a free vote.

Labour MPs are believed to be divided on the subject and many will vote for a change in hours.

Mr Brittan's "conscience clause" concession will not be enough to appease many of the opponents within his own party. It still means that retailers will be able to make it a condition of employment for new workers that they will be required to work on Sundays.

Much of the opposition to the proposals is based on religious grounds and a considerable number of Conservatives are angry that they are under party orders to vote with the Government instead of being allowed the traditional free vote on such a subject.

Mr Ivor Stanbrook, a Conservative MP, thought it "quite disgraceful" that a free vote was not being permitted and said he would vote against the proposal.

He predicted that it would mean that the traditional Sunday would disappear. It would be bad for employees' morale and would not increase employment overall.

● The chairmen of five of Britain's leading retail groups are today writing to all Conservative MPs giving an assurance that existing employees will not be forced to work on a Sunday if the law is changed.

The groups are Habitat/Mothercare, Woolworth, Asda, Harris/Queensway and W. H. Smith.

Mitel deal by BT disturbs Oftel

By Raymond Snoddy

THE OFFICE of Telecommunication (Oftel) is seriously concerned that British Telecom's planned purchase of Mitel of Canada could reduce competition in the UK telecommunications market and damage competitors such as GEC and Plessey.

Professor Bryan Carsberg, director general of Oftel, the telecommunications regulatory body, said yesterday: "It is possible that this deal might have an anti-competitive effect on the UK market. This is something we take very seriously."

Oftel and the Office of Fair Trading are working on a paper on the purchase which could ultimately go to the Monopolies and Mergers Commission.

BT announced an agreement in principle to pay £180m for a 51 per cent stake in Mitel, which specialises in small private telephone exchanges (PABXs), on May 10.

Prof Carsberg said the obvious worry was that BT would purchase equipment from Mitel at the expense of other suppliers such as GEC and Plessey "In the most extreme position other suppliers could be very seriously weakened. That is the kind of thing we want to guard against," be said.

Oftel might decide, through the OFT, to oppose the Mitel merger but Prof Carlsberg thinks that is the least likely option.

"The deal mainly effects overseas markets and the UK end of it is fairly small," Prof Carsberg said.

Oftel is likely to seek undertakings from BT to prevent the Mitel acquisition having anti-competitive consequences in the UK.

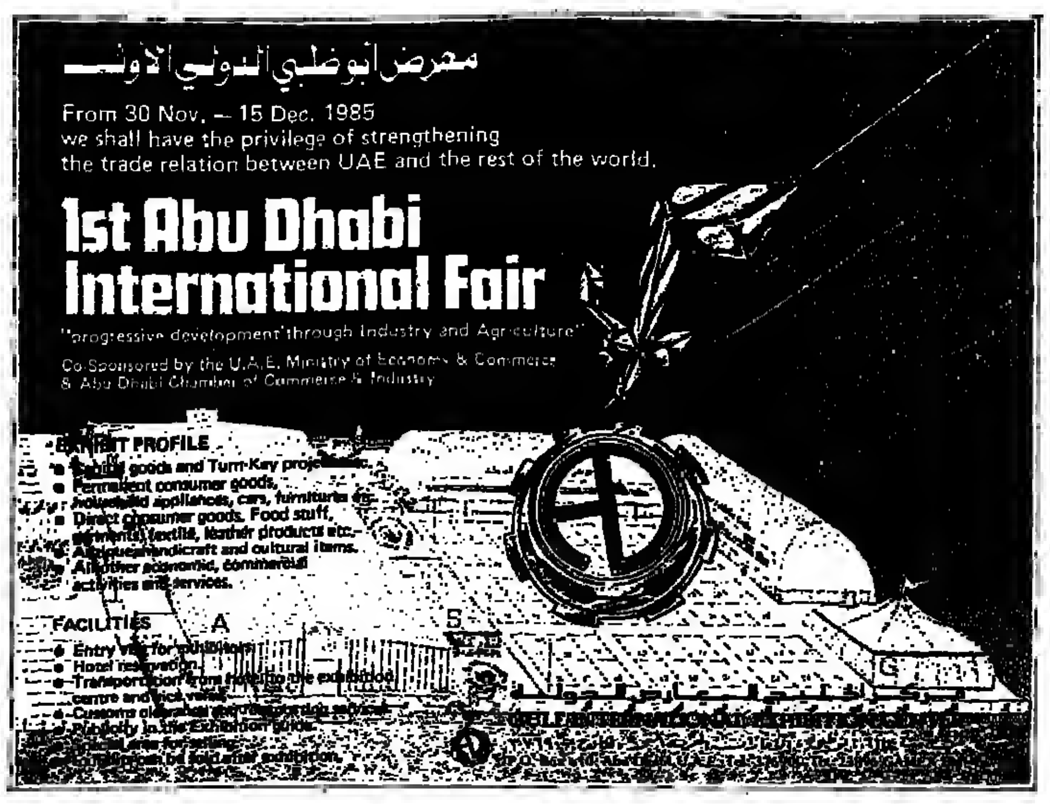
Oftel is considering three main possibilities:

● A limit on the number of lines or on the share of the total market that BT can supply from Mitel manufactured equipment.

● Require BT to have open tenders on all subscriber exchange equipment.

● That BT should be required to hive off the UK manufacturing arm of Mitel. The Canadian company employs 800 at Caldicot in South Wales.

A further less drastic option, Prof Carsberg believes, might be to require BT to bring in a minority shareholder to turn Mitel's UK operations into a joint venture.



UK NEWS

Testing time for rail engineer

Andrew Fisher looks at how British Rail Engineering is cutting its workforce and seeking to boost exports as prospects for orders at home have faded.

THE 1980s is proving a tough decade for British Rail Engineering (Brel), the big repair, maintenance and construction company which has been continually shedding jobs and searching for foreign business as its domestic prospects have faded.

The latest announcement of a further 4,800 jobs to go over the next two years, with the shattering news of total closure of the Swindon repair works in Wiltshire by March 1986, came as a bitter blow to the workforce.

Five years ago Brel, part of British Rail and being studied for possible privatisation, employed 35,000 people. Its turnover exceeds £400m a year. The workforce will fall to little more than 20,000 early in 1987 and turnover is expected to drop below £400m.

The reasons for Brel's dwindling size, although it still makes profits, are linked with BR's growing investment in new trains for suburban and regional services. Not only does this mean that less and less regular maintenance work on existing rolling stock of up to 25 years old is needed, but the new trains are more robust and efficient and can thus be more intensively used.

There are no guarantees that the job cuts have now finally come to an end. "The repair business is very volatile and we can make no predictions beyond what we have already said", Mr Geoff James, Brel's manufacturing director, said.

"We are trying to maximise our new building opportunities to overcome the drop in repairs." Brel has its eye on a number of overseas markets, although competition is tough. It also wants to participate in the next rounds of new orders to be placed by BR, which has said it will not necessarily buy British.

Exports are a long way from offsetting the decline in repair work for BR. They currently run at some £35m annually against only £6m a few years ago. The BR activities, however, account for some 75 per cent of the value of Brel's activities. Since May 1984, when Brel told the unions that job cuts would total under 4,000, repair work for BR has fallen by 13 per cent.

Through the 1980s, redundancies have been announced steadily at Brel, which shut its Ashford, Kent, site in 1981 with nearly 1,000 job losses. In the following year, Brel said it needed to shed 6,000 jobs and the Shildon works in County Durham went straight on the danger list.

Shildon, which employed 2,500 people, finally closed last year. The workshops at Temple Mills, East London, and Horwich in Greater Manchester have also shut, though the latter's foundry remains. The brunt of the latest cuts will fall on Swindon and Springburn in Glasgow, but remaining works at Crewe, Derby, Doncaster, York, Eastleigh (near Southampton), and elsewhere will also suffer.

Last year, BR placed orders for £120m worth of new rolling stock, mostly for Suburban, provincial and rural lines. The new types of local train such as the Railbus – a lightweight diesel rail vehicle based on a Leyland bus body – and the Class 150 Sprinter (a suburban diesel train) contain modern materials such as plastics and do not need constant attention like the old ones, now being withdrawn, which contained wood.

"The whole technique of the way machines are now put together means that looking after them is a lot less labour intensive," Mr James said. BR has said it wants new electric and diesel locomotives for routes to Scotland, as well as freight services, and for London and other suburban networks.

Brel will be up against General Electric (GEC) and Brush (part of Hawker Siddeley) in the UK and foreign companies in the tendering for the new BR trains, though it has so far held its own under competitive tendering. BR has said it will need some 1,500 locomotives in the next 25 years, costing £1.5bn at current prices.

In its drive to double export sales, Brel has shown its wares, like the Railbus and the international passenger carriage which is adaptable to wider foreign track gauges, to many potential overseas customers. It sees South-East Asia and Africa as its most likely markets, aiming also to sell more in those European markets not dominated by local manufacturers.

It has run demonstrations in the U.S., where it hopes to break through Buy American-type attitudes, and Scandinavia. The company also has prospects of new business for Railbuses from Thailand, Malaysia, and Indonesia.

Brel has exported since the early 1970s, lately winning orders from the former French African countries of Gabon and Congo. As the 1970s drew to a close, it found it was being undercut by such countries as South Korea, India and Spain. So it is now pinning its export hopes on the higher technology trains and coaches developed with both home and foreign markets in mind.

RAF order may be worth over £70m

BY LYNTON McLAIN

BIDS HAVE been invited for one of the most potentially lucrative defence electronics contracts in the UK, worth between £70m and £100m to the winner.

Four groups of companies in the defence electronics sector were invited by the Ministry of Defence to submit ideas for providing a computer-based command, control and information system (CCIS), for the new headquarters of RAF Strike Command at High Wycombe, Buckinghamshire.

The successful group is likely to stand a good chance of winning follow-on contracts for Nato air command control systems for continental Europe. These future contracts are likely to be worth billions of dollars, according to some of the companies interested in bidding.

Only one of the groups, led by Thorn EMI Electronics and Software Sciences, has shown its hand so far. Software Sciences is part of the information technology product group of Thorn EMI. The other companies in the Thorn EMI Electronics consortium bidding for the contract are the Control Data Corporation of the U.S., acting through its UK subsidiary Control Devices, and Scicon, part of British Petroleum.

The other competing bidders are understood to include Marconi, Plessey and ICL, according to Whitehall sources.

All bidders have to submit their proposals and costs in about nine weeks.

The system is to be designed to provide senior RAF personnel with a comprehensive management network. This will link the headquarters of RAF Strike Command with a top-secret standby headquarters site and with RAF and USAF stations around the UK. The system will be able to operate with other UK and Nato radar and communications systems.

One of the aims of the system is to provide RAF commanders with information on all aspects of the air space above and around the UK. This will enable commanders to develop comprehensive strategic plans for military action in UK air space.

This will take in every aspect of operations from perceived threats, the status of defending aircraft, their positions and capabilities and the movement of incoming aircraft from the U.S. at times of international tension in Europe.

The new CCIS capability will link with the UK air defence ground environment radar and anti-aircraft missile network and with airborne radars such as the Nimrod early warning aircraft.

A feature of the CCIS will be the security which has to be built-in to the system to control access to the computer memories and to protect the information database.

Group to study political influence on Whitehall

BY SUE CAMERON

A SMALL group of top politicians and civil servants is being set up to look at the so-called politicisation of Whitehall.

The group, which is being established by the Royal Institute of Public Administration (RIPA), includes Mr David Howell, the former Conservative Energy Secretary; Lord Barnett, former Labour Chief Secretary to the Treasury; Lord Donoughue, a member of the Prime Minister's policy unit during the last Labour Government, and Sir Kenneth Clucas, former permanent secretary at the Department of Trade and Industry.

Members of the group will have two main tasks. The first will be to find out whether or not politicians are exercising a growing influence over the recruitment and promotion of civil servants. The second will be to decide whether "greater" political influence is or is not desirable and should or should not be encouraged."

The institute said at the weekend that the group would be concentrating on the second of these questions.

It said that members of the new group would also be looking at the possibility of introducing new rules for civil servants and politicians that "would strike a reasonable balance between allowing a desirable degree of 'politicisation' and maintaining the strength of a career service."

Arrangements in other countries, such as France, West Germany and the U.S. – where politicians tend to have much greater control over civil service careers than in Britain – would be reviewed.

Dr William Plowden, director general of RIPA, said the group was hoping to produce a report and recommendations by the end of this year. He said there were fears that Britain might "drift" into a situation where politicians exercised far greater control than formerly over civil servants and their careers.

He said that there was a risk of future UK governments becoming "increasingly jumpy" about the top civil servants they had inherited from a previous administration.

● The Economic and Social Research Council is planning to spend £350,000 on projects looking at management in government. Research teams in universities and other institutions are being invited to apply for grants to investigate such things as efficiency and effectiveness in Whitehall.

ICI and Octel venture

BY TONY JACKSON

ICI and Associated Octel, a leading producer of anti-knock compounds for petrol, are to enter the market for diesel fuel additives.

A plant owned by ICI subsidiary Nobel's Explosives, at Stevenston in Ayrshire, Scotland, is to be converted to production of cetane improvers, with the product to be marketed by Octel.

Cetane improvers, which upgrade the performances of diesel fuel, are produced by a number of companies in Europe and the U.S.

Octel – owned by a consortium of oil producers including Shell, Texaco and Mobil – claims to be the world's largest producer of lead alkyl anti-knock compounds. The decision to move into non-lead based additives is prompted by impending legislation against lead in petrol.

The switch in production at ICI's plant will not create jobs but will involve an unspecified amount of capital investment. The plant, claimed to be world-scale in capacity, is to come on-stream in the last quarter of 1985.

Hard luck Everton. We've pulled off the Treble.

LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
10 YEAR TERM

LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
15 YEAR TERM

LEAGUE CHAMPIONS
'MONEY MANAGEMENT'
25 YEAR TERM

Good try lads. But you just couldn't turn in a performance as consistent and skilful as ours.

We've come top of all three leagues in Money Management's 'With Profits Performance Survey.'

Our investment team is over the moon. No life assurance company has topped all three tables before.

No doubt the others are feeling as sick as parrots.

Ask your insurance adviser for the survey, or write to us at 150 St. Vincent Street, Glasgow G2 5NQ.

We're pleased with its results. Just don't expect us to kiss, cuddle or parade in an open-top bus.

SCOTTISH AMICABLE

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Farm machinery

A little lustre returns to the Massey-Ferguson image

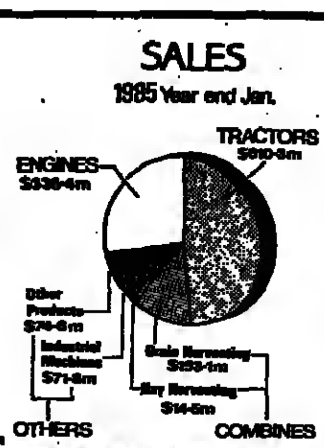
BY IAN RODGER AND BERNARD SIMON

MASSEY-FERGUSON

MAJOR WORLD TRACTOR MARKETS 1984

Market and units	MF share %	rank	Other major competitors and share
U.S. ([illegible])	9	4	Deere (30) IH (18) Case (12) Ford (9)
W. Europe ([illegible])	11.5	2	Fiat (18) IH (9.3) Deere (8.2) Ford (7.7)
France ([illegible])	[illegible]	4	Renault (18) Fiat (13) IH (10)
W. Germany ([illegible])	9	6	Deutz (19) Fendt (17) IH (10)
Italy ([illegible])	11	5	Fiat (42) Same (22)
U.K. ([illegible])	[illegible]	3	Ford (30) Deere (13) IH (12)
Other ([illegible])	20	2	Deere, Case-IH, Fiat, Ford
World ([illegible])	17.2	1	Fiat (12) Case-IH (12) Ford (11) Deere (10)

*For models 40 horsepower and above, excluding Comecon markets & Japan



MASSEY-FERGUSON, a company that in the early 1980s became synonymous with financial crisis and industrial blight, has outwitted the pessimists and begun to show a bit of its old lustre.

For a few weeks in 1980, the Toronto-based farm equipment and diesel engines group seemed to be the main headache of many leading North American and European bankers as well as the British and Canadian Governments. But last year, after five years of losses, massive rationalisation and injections of $1.3bn from two financial reconstructions, it recorded a modest profit of $7.2m.

That may not seem much for a company with sales of $1.5bn, but in the deeply depressed farm equipment industry, it makes Massey appear one of the more soundly based competitors.

Indeed, the directors are sufficiently confident to begin looking for growth through acquisitions. Victor Rice, Massey's ebullient chairman, says the group's bankers "are not yet at the stage of active encouragement, but they're not saying 'No'."

All this is a long way from the dark days of December 1980 when an international conclave of bankers and government officials struggled to find a refinancing formula while receivers were being prepared to take over at any moment. Many argued then that Massey should have been broken up, and some are still bitter that governments enabled it to survive.

Massey's difficulties first emerged in the mid-1970s, when a complacent Canadian management team was slow to respond to a slump in world markets. Borrowings rose ominously, but the Toronto-based Argus investment group, which then had the controlling shareholding, would not approve a new equity issue. Argus did not want to subscribe for more equity itself but neither did it want to see its holding diluted.

By mid-1978, Massey's borrowings had reached $1.3bn supported by shareholders' funds of only $650m, and a normal equity financing was no longer possible. Rice, then 37 and a former comptroller of the Perkins Engines subsidiary who had risen to become a Massey vice-president in 1977, was hurriedly brought in as president with a mandate to cut costs and extract the group from a disastrous move into the construction equipment industry.

But before be could get very far, farm equipment markets worsened and the group staggered through 1979 and 1980, unable to keep pace with its declining fortune. By the end of 1980, borrowings had mushroomed to $2.6bn, 4.6 times the level of shareholders' funds.

In retrospect, the group was helped by running into trouble sooner than its rivals, such as International Harvester, and having to develop a plan for dealing with it. "Right at the height of our problems in 1979, we decided to sit down and develop our first ever strategic plan," Rice, the son of a London chimney sweep, recalls. "There was many a morning I came into the office and didn't know whether we were going to survive until lunchtime. Then the poor strategic planning guy would come in and say, 'we've got this 1997 plan'."

The previous management had a rather romantic view of Massey as a uniquely international company, and had set out on a grandiose programe to make farm equipment all over the world. Rice knew, even before the further drastic decline in markets in the early 1980s, that his main task would be what he calls "downsizing."

The group has closed 18 factories since 1978, including two in the U.S., reduced its equity stakes in several overseas affiliates, and sold its main construction equipment business, Hanomag, in West Germany. Total employment has been slashed from 68,000 to 20,000. Even so, the contraction has only barely kept pace with the slump in sales and revenne. Massey's tractor output has plunged from 168,000 units in 1976 to only 106,000 last year. Perkins' diesel engine output (excluding licensees) dropped from 245,000 units in 1980 to 129,000 last year. Since 1979, group revenues have almost exactly halved.

However, Massey has managed more or less to maintain its position in its sectors. It still claims to be the world leader in tractors, with a 17.2 per cent share of units sold, down from 20 per cent in the late 1979s. (Deere is the industry's revenue leader because its tractors tend to be very large and are sold mainly in the U.S.) Perkins' share of the diesel markets in which it operates is down from 13 per cent in 1980 to 11 per cent.

Jim Felker, president of Massey's tractor division, claims not to be surprised by the group's resilience. "Let's face it. Those companies that are serious competitors in this business are all equally competent. So for all the discounting and shenanigans we have had, things don't change that much."

His concern is that there are still too many makers of farm equipment in a market that looks set to go nowhere. "The outlook is absolutely flat," he says, pointing to growing unhappiness in the U.S. and the European Community about farm support programmes. Felker believes the policy reviews under way in both areas, not to mention trade battles, could go on for years, thus undermining farmers' confidence and their unwillingness to invest in new equipment. Meanwhile, in third world countries, where Massey is strongest, liquidity problems will hurt sales for some time to come.

Massey's response is to work harder than ever to become more competitive so that it can win a bigger share of a smaller market. Thus, the drive to cut costs goes on. But the big push today, both at Massey and at Perkins, is to be more responsive to customer needs.

"Massey used to be an arrogant company," Felker says. "We got into a state of thinking success was eternal." Now the company bends over backwards to serve customers. In harvest seasons, it mans service hotlines 24 hours a day to help farmers keep equipment going. It actively solicits farmers' ideas on product improvements and claims that 17 of the 35 changes made to its large tractors in the past two years have come from that source. Both Massey and Perkins are investing heavily in automating their plants so that they can respond quickly even to small orders.

Massey used to make everything it sold, but now it buys low volume products. Last year, it closed a combine plant at Marquette, France and arranged to have combines made for it instead by a Danish company. More recently, a French company has been commissioned to make balers. Within Massey's remaining factories, nothing is produced until a firm order for it is received.

Some competitors suggest disdainfully that Massey will soon be little more than a marketing company, but that seems an exaggeration. Felker acknowledges that he and his colleagues look very closely at their factories. "I view assets as a cost problem," he says. "If you have assets, they attract costs—to store them, repair them, deliver them, and so on. Controlling assets is a good way to control your breakeven point."

But the rundown at MF has probably come to an end, and the remaining set-up is, by any measure, very large. The group has four tractor factories, each with an increasingly specialised mandate. The Coventry plant, the largest tractor factory in the world, makes models from 38 to 95 horsepower. At Beauvais in France, the company makes 70 to 160 hp models; at Fabbrico in Italy, it makes Landini tractors and some MF models; and at Brantford in Canada it makes combines and very large tractors for the North American market. Perkins has consolidated its manufacturing, except for the recently acquired large engine line, at the Peterborough works in England.

The directors believe the group still has enough capacity to meet any unanticipated upturn in demand or opportunity to raise market shares and, for once, they seem to be looking more for the latter than the former.

At long last, it looks as if something like a shakeout is happening in the world tractor industry. The breakthrough came last year when IH, enriched by a boom year in its truck business, could afford to get out of farm equipment, and so sold out to J. I. Case. Case has been hurrying to rationalise the product lines and dealer networks of the two, but their combined market share has taken a beating in the past few months.

More recently, Deutz of West Germany has bought the farm equipment business of Allis Chalmers in the U.S., and there are fresh rumours of Ford tractors merging with the New Holland combine business of Sperry.

With change already in the air, other producers, especially the national ones in Europe, may reconsider whether it is worth carrying on. Renault, for example, is strong only in the French market and the new management there has more than enough problems with the car business and may want to get out of tractors. Similarly, Fendt of West Germany, Same of Italy and Steyr of Austria seem to fare well only in their home markets. Only Fiat has progressed in the past decade. It is now second only to MF in units sold worldwide and has decisively captured the European market leadership with a 15.9 per cent share. (MF is second with 11.5 per cent.)

What these and other potential movements in the industry mean to Massey remains to be seen. The only fairly certain thing is that the group will survive, and that in itself is still controversial.

In Britain, where Massey's technological roots and its main tractor and diesel plants are located, there is still considerable bitterness about the mess the Canadians made and how the businesses were starved of investment for a long time. Both Massey and Perkins are major British employers and exporters, and some government and City experts would have preferred to break up the group in 1980 and rebuild it under British control.

Massey officials argued at the time that the farm machinery side was so international—with companies, factories, borrowings and sales in several countries — that it would have been difficult to reconstruct and probably just as costly as rescuing the existing group. And at a time of depressed demand and cut-throat competition, the inevitable loss of confidence accompanying a bankruptcy could have badly damaged or even killed the MF brand.

With hindsight now providing e view of four more years of depressed markets, they were almost certainly right. It is difficult to see how any new investor could have made a success of all or any part of a once-failed MF farm machinery business. But as things have turned out, it has maintained its industry leadership. True, it has lost a lot of market share in Europe, but it has gained ground in the U.S. and the third world.

In any event, Massey is once again moving forward, making small profits and investing in the future. (In so doing, it has become another bit of evidence for those interested in seeing changes made in Britain's bankruptcy laws.) Last year, the banks and governments, which still have a majority shareholding and $637m in loans with the group, allowed it to acquire the Rolls-Royce diesel engine business from Vickers for £20m to widen Perkins' range.

Rice and his colleagues are looking for other acquisitions to reduce the group's dependence on the dreary farm equipment industry, but they will probably stick close to the engineering areas they know well. They are, for example, very proud of their Pacoma hydraulic components business in West Germany which supplies over 100 OEMs.

But before going too far, the group will probably try to sort out its heavy and complex capital structure. Net borrowings of $675m are still more than double shareholders' equity of $310.4m and the group frequently finds itself in default of the liquidity requirements of some of its loan agreements. It would be bizarre indeed if one of these defaults were to push the group over the edge now.

Business courses

The Agricultural holdings act. Conference, June 12. London. Fee: members £123 + VAT, non-members £145 + VAT. Details from ESC, Kirby House, 31 High Street, Uppingham, Rutland, Leicestershire, LE15 9PY. Tel: (0572) 822711.

One-day seminars. London, June 4; Leeds, June 10. Fees: £120 plus VAT non-members, £100 plus VAT BCS members. Details from BISL Conference Department, British Computer Society, 13 Mansfield Street, London W1M 0BP. Tel: 01-637 0471.

World electronics-Global market approach. London, June 16 and 19. Fee: £450 plus VAT. Details from FT Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355.

Design for marketing. Half-day seminar. London. June 6. Fee: £50. Details from The Marketing Society, Derwent House, 35 South Park Road, London SW19 8RR.

Career paths in tomorrow's organisation. Uxbridge. June 19 and 20. Fee: £275. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: (0895) 56461 ext.215.

Brand marketing programme. London. June 10-14. Fee: £975. Details from the London Business School, Sussex Place, Regents Park, London NW1. Tel: 01-262 5050.

The sixth paper and pulp conference. London. June 10 & 11. Fee: £440 plus VAT. Enquiries to: FT Conference Organisa- Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355.

Setting up your own business. (Small business workshops, sponsored by Business & Industry Fellowship and the Manpower Services Commission). Huntingdon. July 21 & 22. Details from Stuart Beckwith, Small Business Training, PO Box 465, Globe House, New Street, Chelmsford CM1 1TY. (0245) 350595.

Strategies for innovation. London. June 26. Fee: £224.25. Details from Charlotte Silars, FIBEX, 55 Catherine Place, London SW1E 6DY. Tel: 01-493 0000.

Making your money grow. Leicester. July 7-10. Fee: £72. Details from Investment Course, c/o Conference Manager, Conference Offices, Leicester University, Leicester LE1 7RH.

Notice of Redemption and Expiration of Conversion Rights

ISE Finance Holdings S.A.

4½% Sinking Fund Debentures Due 1986

(Convertible on and after January 1, 1967 into Common Stock of International Telephone and Telegraph Corporation)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1966, as amended, under which the above described Debentures were issued, ISE Finance Holdings S.A. has called all of its 4½% Sinking Fund Debentures due 1986 for redemption on June 14, 1985 (the "Redemption Date"). The Debentures will be redeemed at 100% of the principal amount thereof plus accrued interest to the redemption date.

The Debentures will become due and payable, and Upon Presentation and Surrender Thereof (with all coupons appertaining thereto, maturing after March 1, 1985), will be paid on said redemption date at the Bondholder Services Department, 5th Floor of Citibank, N.A., 111 Wall Street, New York, N.Y. 10043, at the offices of Citibank, N.A., in London and Paris, or at the office of Societe Generale de Banque S.A. in Brussels, Dresdner Bank Aktiengesellschaft in Frankfurt and Banque Generale do Luxembourg in Luxembourg, as the Company's Paying Agents. On and after said redemption date, interest on said Debentures will cease to accrue.

The Debentures may be converted at the option of the holders thereof and at the principal amount thereof into fully-paid and non-assessable shares of Common Stock of International Telephone and Telegraph Corporation ("ITT") at the conversion price of $40.45 per share upon delivery of such Debentures to any of the offices above accompanied by written notice addressed to ITT electing to convert such Debentures and stating the name(s), address of the person(s) for registration of the shares of Common Stock and whether such person(s) or beneficial owner(s) are aliens as to the United States, with all unmatured coupons appertaining thereto attached, at any time until the close of business on said redemption date. Upon conversion of any Debenture, no payment or adjustment on account of interest accrued on any Debenture so converted or on account of any dividends on the Common Stock delivered upon conversion will be made and no fractional shares of Common Stock will be issued. AT THE CLOSE OF BUSINESS ON SAID REDEMPTION DATE SUCH CONVERSION RIGHTS WILL TERMINATE.

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

ISE FINANCE HOLDINGS S.A.
By: Citibank, N.A. as Trustee

May 13, 1985

ADVERTISEMENTS FROM AHNUI PROVINCE CHINA

A number of advertisements from Anhui have been placed within the pages of the Anhui survey in today's issue. Should you require further information from these companies, please indicate in the boxes provided below. Your requests will then be forwarded to the individual organisations concerned.

TO: Simon Timmis, Financial Times, Bracken House, Bracken House, 10 Cannon Street, London EC4P 4BY.

- China National Arts and Crafts I/E Corp—Anhui Branch ☐
- China National Cereals, Oils and Foodstuffs I/E Corp—Anhui Branch ☐
- China Silk Corporation—Anhui Branch ☐
- China National Textiles I/E Corp—Anhui Branch ☐
- China National Netive Produce and Anmal By-Products I/E Corp—Anhui Tea Branch ☐
- China National Native Produce and Animal By-Products I/E Corp—Anhui Native Prodnce Branch ☐
- China National Metals and Minerals I/E Corp—Anhui Branch ☐
- China National Chemicals I/E Corp—Anhui Branch ☐
- China National Native Produce and Animal By-Products I/E Corp—Anhui B-Products Branch ☐
- China National Machinery and Equipment I/E Corp—Anhui Branch ☐
- China National Light Industrial Products I/E Corp—Anhui Branch ☐

Name .... Position ....

Company ....

Address ....

THE ARTS

Architecture/Colin Amery

Cook's half-baked ideas

Hugh Routledge

Peter Cook's "City of Towers," part of the exhibition soon to be seen in Milan, Vienna and Tokyo

Peter Cook is a very fine draughtsman. His drawings of the past 21 years were shown recently at the Architectural Association and are off on a tour of the world, starting in Milan. He is ondoubtedly an influential figure, both as a teacher here and in Germany, and as an artist. But he has huilt practically nothing (praise the Lord), although his vision can be seen behind things like the Centre Pompidou in Paris, our own dear Lloyd's building in tha City, and the future BBC premises that might be erected on the site of the Langham Hotel io central London.

This suggests a powerful personality who has been a background infinence since he founded Archigram in 1961 and Art-Net in 1973. To meet Mr Cook with his green glasses and modest manner, it is hard to imagine that you are talking to a man who is almost 50 and who is now Professor of Architecture at the Städelschüle in Frankfurt. It is much more like talking to a friendly boffin who enjoys reading the *Eagle* and watching *Blade Runners.*

His vision has bardly changed in 21 years. It seems, instead of developing, to take rather long rests and then to resume more or less where it started. I find the rest periods, when be contemplates nature, much the most satisfying—a respite from the manic desire to erect towers and "plug-in cities."

What Cook does is to consider the wildest possibilities for the urban future and then make visionary drawings to demonstrate what it might all look like. There is indeed plenty of room for visionaries — they do not need to build. Cook is too modest when he says that he is "only the service industry to the real thing." His premise when he was running Archigram was always "Why not?" It is this exciting view, that anything is possible, which he communicates engagingly to his students. Many of them are hooked for life on the abstract idea that everything can be manipulated. I find It interesting that there is never the slightest hint of a buman heing in any of his drawings.

Very, very occasionally there are these little ant-like creatures hanging precariously over balconies. In something called the *Plug-In University,* these poor devils are apparently creeping into hlack holes that punctuate an intestinal structure. In one of the schema of the Seventies, *Hedgerow City,* e mass of unpleasant mechanical eppliances lurks in the undergrowth ready to consume and process any passing suburbanite. I was reminded immediately of the publcity for Milton Keynes—and, indeed, in some cases of the reality.

Think of e leisure centre, an ice rink with a suspended roof hanging from asts, or e plastic dome swimming pool, and you have the lowest common denominators of this man's vision. In his propsed Arcadian City, Cook is not so shy as one expects him to be. He identifies with his magazine collages some of the likely inhebitants: "loft people," elderly Viennese people, "sleek people." But surely this is just a rather bored architect doing what TV commercials and the Saatchi gank do so much better. How curious it is that the moment there is any contact with life, Cook loses bis deft touch.

There is nothing deft about the prose in the beautifully produced folio that can be obtained as a souvenir of tha exhibition from the Architectural Association's excellent Triangle Bookshop. It is worth quoting an example. The latest scheme is one called *Skywatt City* (bow they love that old-style Reyner Banham slick vocah) . . . "Skywaft City suggests a series of building types and expressionistic devicea combing to form a free flowing city. Conditions allow for vertical organisation and close packing: it is not suburban. The drawings examnie e 100-metre cube, within which lies e series of paths running from side to side at various tangential angles. Each path (in plan) and elevational extension is called e waft—the word has connotations of free flow ecross space and some implication of dynamic action through the air. Each waft, specially identified with e type of function and of architectural expression, is very different from the next. This is a deliberate attempt to clarify the project at an early stage; later, these types combine and transmute."

So, there you have it.

The danger of Mr Cook does not lle in his well executed drawings. It lies in balf-baked ideas made to look plausihle by his skilled graphic techniques. They are absurdly juvenile, and look like a mad vision of the worst parts of Tokyo. It is e relief to know that his influence is waning on the younger generation of achitectural students.

There was another indulgent event at the Architectural Association last week. Hans Hollein, the Austrian architect and this year's winner of the lucrative Pritzker prize (modern architecture's Nobel) lactured to the students for nearly three hours. I was there for only half the time but it was enough to sense the obvious talent of this architect—and also the intense megalomania that makes him want to tour the world boring his audiences with ill-constructed and tedious lectures.

He is a good architect. Like many other interesting architects, he would be well advised to keep off the internation guru circuit and concentrate on his buildings. He has a distinctive gift for creating a modern architecture that is decorative and, at the same time, precise.

The renovation of Perchtoldsdorf Town Hall in Austria dates from the mid-Seventies but it is still effective in Hollein'a relaxed revitalisation of older decorative motifs. The new museum in Monchengladbach looks complex inside and monumental on the outside. Like James Stirling, Hollein has left behind the loony sort of modernism practiced by architects like Peter Cook. It it in their sort of understanding and interpretation of the collage of history that the future of new architecture lies. Hollein can be forgiven his boring lecture style by the liveliness of his echitecture.

While we worry and wait over the fate of Mansion House Square in the City, are we losing the great frescoes in the Vatican? I have just been sent an eccount of a march in New York last Thursday by artists who claim thet "the Sistine Chapel frescoes by Michaelangelo are being flayed, scrubbed, cleaned, in short *massacred,* by the scientific methods now applied at the Vetican." Surely, if this is the case there should be some timely discussion. Why total silence in London?

Henry V/Barbican

B. A. Young

Henry V is a soldier's play. Duff Cooper suggested that Shakespeare's "missing years" were spent in the army, and he certainly bas an interesting knowledge of how soldiers talk and bebave. Most of this play is set on or near bettlefields, and Boh Crowley's designs seldom suggest the colour and luxury that might well bave followed a 15th century monarch into the field. The French nohles are better treated as far as their clothes and their armour are concerned, and the Constable, the Dauphin and the Duke of Orleans are resplendently golden as they ewait the morning of Agincourt.

The stage is for the most part bare of anything but smoke. At one point we are even caught in a prolonged shower, from which the troops shalter under sheets, though the King is content to stand in tha open. As Adrian Noble, the director, prefers him to come downstage when ha has anything important to say, he could hardly do otherwise.

Kennth Branagh cuts e dashing figure as the King, but ha is only marginally smarter than his relations in the field, his armorial bearings on panels down the front of his tunic to represent his shield (for he carries no other). Even in the final scene with Katharine he is quietly turned out, and this is in accordance with Mr Branagh's characterisation. This is no dashing hero leading his army into victory with Churchillian periods. It is the Prince from the earlier plays, given larger opportunities for his antics, tricking Cambridge, Scroop and Grey into their deaths, condemning Bardolph to be banged (he is here strangled in the royal presence), tricking the unhappy Williams. His big speeches are spoken with great clarity and intelligence, but there is never a hint of display. A very fine performance, I thought.

Bernard Horsfall plays Pistol as a hooligan beginning to age, and Patricia Routledge's Mistress Quickly has e positively grandmotherly look. She does ber bit about Falstaff's death very nicely. Though there is nothing wrong with the playing, the idea of casting an actress as the Boy is disasterous, especially when he is given so much singing.

The captains in the army are a colourful lot, Siôn Probert's Fluellen especially, though I don't believe he would have been dancing so prettily after Agincourt. On the other hand, the battla itself is shown, excellently in almost balletic terms, with never a sword clashed between tha two armies, and perhaps some of the troops found it catching. MacMorris (Geoffrey Freshwater) pops up through a trap, one of his mines beving blown him out.

The first time we see Katharine (Cecile Paoli), she is a young girl in a white frock, dancing happily around as she learns her English Without Tears. She has not grown up for her engagement, but she has certainly learnt dignity, and looks ravishing.

Ian McDiarmid spoke the choruses in a highly musical manner that was, I'm sure, what the director wanted, but not what I did.

Hanover Band/Elizabeth Hall

Stanley Sadie

A price sometimes has to be paid for anthenticity. The Hanover Band, who played music hy the Viennese classical composers at the Elizabeth Hall on Thursday, use period instruments; they also follow the period convention (as several other groups do not) of dispensing with a conductor and playing follow-my-leader. This perhaps puts too heavy a responsibility on Monica Huggett, whom we all know and admire as an excellent violinist but whose incisive and imaginative personal musicianship does not always seem to communicate itself to us through the orchestra she directs.

The result was performances markedly deficient in shape and character. In symphonies by Haydn and Beethoven the playing lacked any kind of profile: events succeeded one another cheerfully enough but with no sense of symphonic logic or argument. Beethoven's First especially would have profited from some pointing np of detail, some careful placing of accents, some moulding of the climaxes. It was all very busy-sounding in the quick movements but curiously wanting in real energy, while the slow movement was oddly innocuous —all those fascinating changes of texture, even the distant modulations at the beginning of the development, passed by without any meaning.

That it is more difficult to give subtle and refined performances without a conductor is not in question; indeed it is likely that some of our "authentic" groups who do use conductors over-refine and over-subtilize. I hope that as this "Basically Beethoven" series continues (this was the second concert of eight, of which four are orchestral) Ms Huggett may establish better communications with tha band. It is a small group for this repertory: the strings (5.4.3.3.2) produce e thinnish sound, though this may not be wbolly a matter of numbers.

Unwisely, and unanthentically, Ms Huggett bas the firsts and seconds seated together, which makes ensemble easier but gives a poor spread of sound and rules out the antiphonal effects that composers of this period constantly employed. She needs to give more care to articulation: the main thema of the finale of the Haydn "Military" Symphony was made nonsensical because the final note of every phrase was skimped and virtually inaudible. And though there were some excellent wind soloists there were too many sour notes and too many blobs.

Between the symphonles Henry Herford sang arias from three Mozart operas. He has a pleasant, warm bass and an attractive vein of humour which showed up in Papageno's first song (although he and the orchestra seemed to find it hard to agree on a tempo).

Alastair Muir

Placido Domingo and Agnes Baltsa

Samson et Dalila/Covent Garden

Andrew Clements

With the dust scarcely settled on its tercentenary production of *Samson,* the Royal Opera on Friday hrought back into the repertory Saint-Saëns' version of tha story in the staging hy Elijah Moshinsky and Sidney Nolan first seen in 1981. Where Moshinsky's relocation of Handel's dramatic oratorio was one of its more problematic aspects, the sense of period and place in his *Samson et Dalila* remains one of its strengths; Nolan's vivid backdrops and earthy red interiors create e consistent and memorable visual image, and this still seems one of the most successfully designed of recent Covent Garden productions.

It has been revived once before, two years ago, when the principles were Jon Vickers and Shirley Verrett, repeating their roles, and Georges Prêtre condncted. This time Colin Davis takes charge again, Placido Domingo sings Samson for the first time in London, and Agnes Baltsa Dalila for the first time anywhere. The result takes the evening into a very superior class of musical achievement indeed, with singing from both of unblemished splendour underpinned by highly refined orchestral playing. Whether one rates tha musical worth of the score highly or not the sheer accomplishment of these performances is hard to resist.

Domingo's portrayal is worlds eway from Vickers' massive, physically threatening Samson, which he carried over into the Handel production. Domingo is unavoidebly heroic, noble of hearing in the opening ect (though he was slow to warm at the start in "Arretez, O mes frères"), passionately impulsive in the second, restrained in third. There is little of the religious zealot in him; he is an Aaron rather than e Moses, able to let his articulacy and sednctive tone do his persuading for him, and e fine match in vocal allure to Miss Baltta'a infinitely subtle Delila, who uses her smokey lower register to marvellous effect.

Nothing at all is ibvious about her characterisation and it is all tha more fascinating for it; even the taunting of Samson in the third act seems to be done with profound misgivings, her attitude to the High Priest deeply ambivalent. Without the beauty of her singing in purely technical terms it would have been e notably searching account of the role; with that added it becomes quite outstanding.

Davis supports his singers with great care; there is no empty rhetoric or specious exoticism even in the dance interludes in the first and third ects where the ensemble and control of the Opera House Orchestra are remarkable in themselves. I am not convinced the production handles the chorus in e genuinely purposeful way, but its singing is always vigorous enough. The remainder of the cast includes Jonathan Summers repeating his finely drawn High Priest and a new Abimelech from Roderick Earle, slightly too obviously a demon king for my taste but not given much scope by the production. Tha honours go, however, to Baltsa and Domingo.

The Mysteries/Lyceum

Martin Hoyle

The roed to paradise is paved with parquet and goes by way of Mecca. The entertainment chain has let the Netional Theatre'a medieval compendium cross the river to the Lyceum, whose Edwardian opulence is, aesthetically speaking, as far as you can get from tha Cottesloe.

The smoky murk of the original prodnction remains, still pierced by homely stars made from dangling cheese-graters, tea-urns, dustbins and paraffin-stoves. Along the side-walls Cottesloe-type tiered scaffolding grazes the full-bosomed gilt of empty boxes, forsaken altars of billowing gesso whose flaking floridness disappears high in the darkness.

The body of the anditorium is now floored flush with the stage whose area is identifiable only by the proscenium arch soaring into tha dark. Disappointingly, this is not quita Irving's theatre. The present interior dates from shortly after his tenure; but Sir Henry's shade would recognise the scale, ambition and, it must be said, the artificiality of the present incumbents.

Bill Bryden, the producer, and the poet Tony Harrison aim to recreate the involvement of medieval audiences. Local artisans lent their skills, the local population provided the cast, and the style of story-telling was rooted firmly in everyday life.

Thus Brian Glover (the over-familiar spectacle of a Yorkshireman claiming to be God), addressing us in broad Northern tones, is immediately recognisahle in his mixture of the heartily avuncular and the rough diamond as the voice that launched a thousand TV commercials. This is neither unfair nor irrelevant, given the production's search for a frame of reference parallel to medieval popular culture.

There are in fact no parallels to be drawn between the unnuestioning faith that permeated every aspect of life for the simple and unlettered, and a performance by highly-trained professional actors who probably have little religious knowledge and less faith. The production falls back on externals. A terrible archness is born.

This ertificiality is exemplified by the occasional clash of acting styles. In the opening play of the trilogy, *The Nativity,* Derek Thompson's Gabriel and Phil Langham's Shepherd are notably successful et stiltedly intoning their lines as if learnt parrot-fashion. In fact they play non-actors acting e part. Historically correct, this extra layer of artifice merely serves to distance us from the play, especially as some of the company play it straight.

Given the inevitahle results of a basically illogical premise (at best quaint, at worst patronising), the cycle emerges as a random series of individual performances and isolated theatrical strokes. Adam and Eve erupt from a scallop-shaped sand-pit to be undone hy a serpent that is in fact e ten-strong conga led by Barry Foster's wheedling Lucifer. Devid Roper's sharp-suited Mak nicks a lamb from flat-capped shepherds from Herriott country. The Annunciaton thrills as folk-rock pounds out and Gabriel in the gallery turns his burnished glass to deflect the spotlight round the house.

The Passion, the middle play, depends more on straightforward narrative than variety of character or event. Accordingly lt suffers from the comhination of tricky acoustics, variable accents and archaic speech patterns that made the scene with bibulous Cayphas, for instance, nnintelligible and flat, despite Paul Moriarty's energetic mugging. On the other hand, the actual Crucifixion leaps to life as the nailers, craftsmen absorbed by the task in hand, ergue with professional pride abont width and wedges, sundering sinews.

Karl Johnson's Jesus, eyes intense in a drawn mask of pain, Barrie Rutter's emergence as a first-rate comic presence, tough and bouncy, as both Herod and a jeering foothall-scarved punk converted at Mary'a funeral, and Stephen Petcher in everything he does from Adam onwards stand out. When audible, Mr Harrison's gutsy lines, rich in alliteration, hit the earthily poetic mark that the rest of tha production is apparently aiming at. The promenade area on William Dudley's set means thet those for whom the acme of theatre is shaking hands with an actor or dancing on the performing space will make up in ecstasy what they miss in visibility. For me the whole experience, for all its demotic mateyness, is as coy and contrived as Restoration comedy; and a great deal more synthetic.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

May 17–23

PARIS

Murray Perahia, piano recital (Wed). Théâtre des Champs-Elysees (7234777).

Leningrad Philharmonic Orchestra conducted by Maris Jansons, Grigori Sokolov, Soloist: Beethoven, Tchaikovsky (Thur). Palais des Congrès (7582258, 7582202)

Nouvel Orchestre Philharmonique conducted by Marek Janowski: Haydn, R. Strauss (Thur). Radio France, Grand Auditorium (5241516).

VIENNA

Vienna Philharmonic Orchestra conducted by Leonard Bernstein. Wagner. Staatsoper (5324/2655). (Tue and Thur).

Royal Philharmonic Orchestra conducted by Yehudi Menuhin, violin. Bach, Elgar and Brahms. Konzerthaus (Wed).

Amadeus Quartet. Brahms and Wolf. Konzerthaus Mozart Saal. (Wed).

WEST GERMANY

Stuttgart, Liederhalle: Dallas Symphony Orchestra conducted by Eduardo Mata with James Galway, flute. Schubert, Griffes, Rodrigo and Mahler (Mon).

Berlin, Philharmonie: Dallas Symphony Orchestra as above. Bartok replaces Mahler (Tue).

ITALY

Rome, Oratorio del Gonfalone: Vicolo Della Scimia 1/B (Via Giulia): Harpsichordist Nariolina de Robertis playing 20 sonatas by Domenico Scarlatti (Thur) (655952)

Milan: Teatro alla Scala: The Scala Philarmonic Orchestra conducted by Seiji Ozawa with the violinist Viktoria Mullova. Stravinsky (Mon) (809126).

NETHERLANDS

Rotterdam, De Doelen. Arie Keijzer, organ (Mon); Leningrad Philharmonic under Maris Jansons, with Grigory Sokolov, piano. Beethoven (Tue); Lunchtime concert with Pierre Vellones' Poèmes de Mallarmé for soprano, four harps, double bass, tenor and alto saxophones (Wed). Herbert Blomstedt conducting the Rotterdam Philharmonic, with Gideon Kremer, violin (Thur). (142911).

Utrecht, Muziekcentrum Vredenburg. Maris Jansons conducting the Leningrad Philharmonic, with Grigory Sokolov, piano. Prokofiev, Shostakovich (Mon); The Utrecht Symphony Orchestra under Hubert Soudant, with Jean-Bernard Pommier, piano, and Theo Olof, violin. Beethoven (Wed). Recital Hall: Montserrat Figueras, soprano, and Hopkinson Smith, vihuela and guitars. 4 centuries of Spanish Song (Tue); Bernard Kruysen, baritone, accompanied by Gérard van Blerk. Fauré (Wed). (314544).

NEW YORK

New York Philharmonic (Avery Fisher): Conductor, Zubin Mehta: Bach, Mozart, Strauss (Tue); conductor, Zubin Mehta: Haydn, Crumb, Ravel, Jacob Druckman (Thur). Lincoln Center (8742424).

WASHINGTON

National Symphony (Concert Hall): Conductor Mstislav Rostropovich; cellist Lynn Harrell, bassoonist Kenneth Pasmanick: Schubert, Schuller, Saint-Saens, Ravel (Tue); conductor, Mstislav Rostropovich, bassoonist Kenneth Pasmanick: Schubert, Schuller, Saint-Saens (Thur). Kennedy Center (2543776).

LONDON

Maurizio Pollini, piano: Berg, Schönberg and Beethoven. Royal Festival Hall (Mon). (9283191; credit card 9288800).

City of London Choir and London Bach Orchestra conducted by Donald Cashmore. Mendelssohn Elijah. Barbican Hall (Tue). (6388891).

Philharmonia Orchestra conducted by Andrew Davis with Shlomo Mintz, violin. Copland, Bruch, Colgrass, Rachmaninov. Royal Festival Hall (Tue).

Vlado Perlemuter, piano. Faure, Ravel and Chopin. Queen Elizabeth Hall (Thur). (9283191; credit card 9288800).

London Symphony Orchestra conducted by Myung Whun Chung with Wynton Marsalis, trumpet. Copland, Purcell, Handel, Hummel and Mussorgsky/Ravel. Barbican Hall (Thur).

Ronnie Scott's, Frith Street: James Moody (flute) with rhythm section. (4390747).

Saleroom/Antony Thorncroft

Jewels with histories

Jewels, which for thonsands of years have been fought over by men, worshipped by women and the subject of fantasy by poets, have become in recent years very prosaic ohjects, prized—and priced—according to the weight of the stones. Indeed, for a period in the late 1970s diamonds, in particular, were looked upon mainly as an investment, with dire consequences.

But next Thursday Sotheby's is attempting to bring back the glamour with a sale it calls "jewels for the collector." This consists mainly of 19th century jewels in their original settings —not, as is the case with most expensive jewels, re-fashioned in modern workshops. This is jewellery that is still redolent of the original owners, and where design is more important than the stones.

What is likely to be the most expensive lot, with a top estimate of £150,000, epitomises the idea. It is a diamond necklace, mada around 1820 and almost certainly given to the Lady Conyngham of the day by King George IV. She was his mistress and, according to the gossip of the time, was given jewels valued then et £80,000. During the king's last illness, she is said to have had two wagon-loads of silver and jewellery removed into ber keeping. The present Marquess of Conyngham is selling the necklace.

Another necklace has sucb a curious history that Sotheby's jewel experts go coy when asked about its origins. It is from the 18th century—very few of these have survived in their original setting—and e pink diamond pendant was added in the 19th century. Tha ledy disposing of it thought she might get a few thousand. bnt that the pink diamond reduced its valne. The very reverse is the case and this lot, too, should sell for £150,000.

There is an important group of jewellary made by the celehrated names of the late 19th century—Giuliano and Castellani and the very rare Froment Meurice. All are estimated et less than £3,000, remarkahly low prices for intricately worked and decorative pieces. Whila the very rich might need the protection of flashy, big stones, the modestly wealthy are starting to appreciate jewels created by craftsmen.

The sale contains many oddities—a carved cameo of Dionysus of 1700 mounted as a hrooch around 1860; a late 18th century bardstone and diamond eeal, with the figure of e crowned negro, perhaps made for Toussaint L'Ouverture who led the revolt of the sleves in Haiti in 1791; and a very rare mid-18th century emerald and diamond brooch pendant, probably from Spain where fashion in jewels changed slowly.

GLC aids two fringe theatres

Two London fringe theetres have had their future secured through GLC grants after losing Arts Council subsidy. The King's Head in Islington is to receive £55,000 and the Croydon Warehouse, £43,000.

The King's Head has a tradition of transfers to the West End — *Look to the Rainbow* has just opened at the Apollo — but the Warehouse is celebrating its first such move. Its production of *The Marriage of Figaro* transfers to the Ambassadors on June 3.

A.T.

TECHNOLOGY

EDITED BY ALAN CANE

Assembly robots on the march

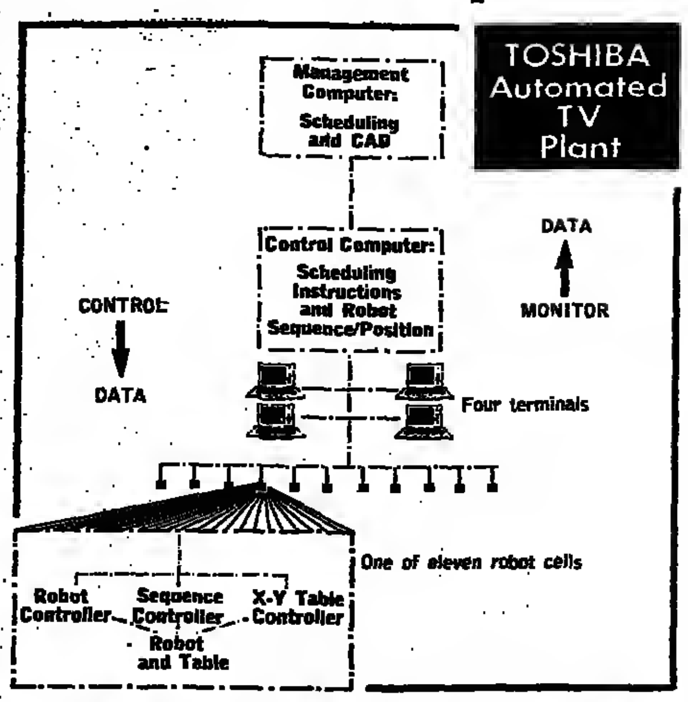
Geoffrey Charlish on the rise of computerised manufacturing

ENDLESS exhortation by the experts to make manufacturing management think seriously about applying computers and robots to assembly tasks seems to be having its effect.

For more than a decade, integrated circuits (IC) have been inserted into computer printed circuit boards (PCB) using special purpose robots. These ICs are always of flat, rectangular shape and have electrical leads emerging at standard spacing round their edges—so auto-insertion is not too difficult.

But the assembly of non-standard components into the analogue PCBs found in consumer and some areas of professional electronic equipment manufacture is more difficult. General electrical assembly, too, from car headlamps to equipment front panels, poses similar difficulties due to component variability.

Industry is beginning to attack the problems and some of the achievements came to light at the recent Advanced Manufacturing Summit in Birmingham organised by IFS of Bedford.



Toshiba for example, has introduced a line of 11 of its Scara robots into a colour television plant. They are controlled by Toshiba T-7/70 minicomputers and have raised the proportion of component types that can be auto-inserted to 95 per cent.

The robots, in a single straight line, share the task of filling each PCB with 500 components. Each has an indexing rotary head with six grippers, able to deal with about 20 kinds of component ranging from a fuse holder to a complete radio frequency tuner. Several kinds of component feeding device are used at each robot cell: pallet boxes are used for larger items like tuners and transformers while stick magazines and vibration deal with smaller parts.

Of significance is the fact that the robotics control computer is linked to a factory management processor that holds both production scheduling and computer-aided design information—a step towards "computer integrated manufacturing" (CIM), about which much has been heard but little seen elsewhere.

One outcome is that change of product is relatively simple for the line technicians. They do not have to teach the robots new positional data. Instead, they just key in component reference and sequence numbers and the down-loaded CAD information does the rest. Set-up time is only 30 minutes. During production, data is sent back to the scheduling computer to up-data it.

The Toshiba line now runs in two shifts with two technicians instead of nine operators. Capital cost is not revealed, but by mid-85 the company says that an insertion cost of just over two yen per component will be achieved, equal to the current manual insertion cost. By 1992, assuming six per cent wage increases and depreciation of the equipment over five years, the machine will be twice as efficient, claims Toshiba.

At Hewlett Packard's South Queensferry plant, where professional electronic systems are made, some 840 different board types are involved and batch sizes can be as low as 10. Taylor Hitec, of Chorley, Lancashire, is undertaking the automation task for 220 of the boards (about 70 per cent of total production), into which over 1500 different component types might have to be inserted.

The system will be introduced on a cell-by-cell basis and a start has been made with axial lead components (mainly resistors and capacitors) using an Amistar A6448 machine, with automatic adjustment of the board handler to suit different sizes. Ultimately the system will have similar general characteristics to the Toshiba line.

As automation moves from electronic through electrical towards mechanical assembly work, engineers are undoubtedly finding the task more difficult without re-design of the product. At Lucas Industries for example, only one of dozens of tasks could be identified—a headlamp sub-assembly.

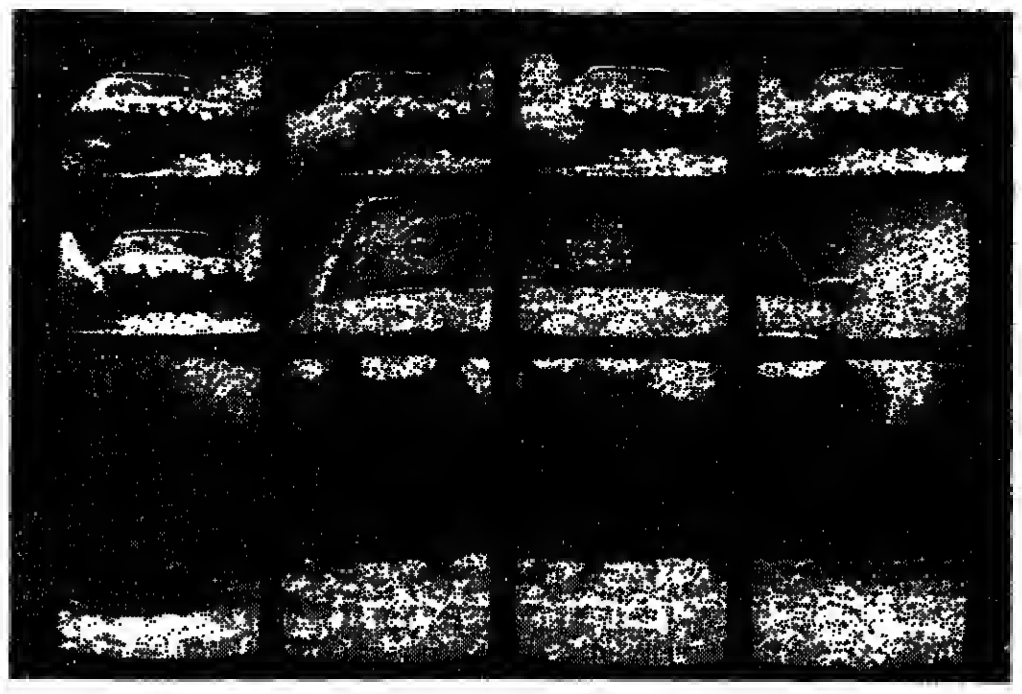
Lucas believes product design is vital and warns against seeing flexible assembly in black and white terms—it will usually be achieved only to particular levels yielding a limited degree of product variability.

In mechanical engineering, the vehicle industry has led the way — with cylinder head assembly for example. Perkins in the UK (Fairey Automation) and Fiat in Italy (Coman) are recent new examples.

But in the U.S., according to a vice-president of Bodine Corporation, Mr F. Riley, there appears to be "a quickly growing unease with tha validity of some of the projected results of programmed assembly."

In a keynote paper, Mr Riley said there had been too much "hype" about flexible manufacturing systems and he blamed the press, for "consistently reporting engineering research as accomplished fact." He also found the stock analysts guilty for making "wild projections" that have often created "a most unfortunate tendency of upper management to accept theoretical research reports as commercially available tools."

The general view is that the U.S. taxpayer, together with General Motors, IBM and a few other large bodies are "supporting equipment developments that are not economically rewarding to other industries such as consumer products, electrical switchgear, telecommunications and the like."



Life in the fast lane with videowall

THIS FLY'S-EYE, videowall view of a rally car at speed is the result of some clever work by a West German company, Nornberger Medien Technik (NMT), writes Alan Cane.

Using a pair of Z80 8-bit microprocessors, it has developed a computer system which enables up to 96 video monitors to be driven off a single U-matic professional videorecorder.

Sophisticated use of the frame storage in each monitor makes it possible to show a single composite image across all the screen in the system or any combination of images from the same videotape.

If images from more than one sourca are required, it is possible to group tha screens to run off more than one video recorder. The impression is that each screen is controlled by its own recorder and that a single brain is controlling the entire presentation.

Distributed in the UK by Teletape Video of London, the system is used to create a videowall, a giant screen up to 100 square metres in size.

Cost of the system ranges from £57,500 for a nine monitor version to £362,500 for 84 monitors.

Plug-in push-button pager

"PACKAGED PAGING" has been launched by Multitone of London. The use of technology to minimise the installation and setting up of the system means that the user simply unpacks it, plugs into the mains and starts paging.

Called Access 330, the package consist of a compact desk top control unit with built-in or free-standing aerial, and a set of up to 100 radiopaging receivers.

The system is aimed at small to medium sized companies with no technical personnel. The control unit combines paging encoder and transmitter in one housing and is operated by a clear and unambiguous push-button keypad. Calls can be directed to individual pagers or groups and there are five distinct "beep" patterns

The pagers weigh only four ounces and clip into belt or pocket.

More on 01-235 7611.

Automatic vision system for packaging industry

BY PETER MARSH

LIFE for engineers in the packaging industry may be made easier with a range of automatic vision systems that spot faults in labels or containers in product areas such as cosmetics, food and pharmaceuticals.

In the U.S., several companies sell special-purpose computer systems that analyse information from TV cameras focused on bottles or packages as they move past on a conveyor.

With particular sets of software, the computers are "trained" to recognise, for instance, an incorrectly-worded label, a bottle that is only half full of product or a container that is without a cap.

On the basis of this information, the computer sends instructions to other machinery that may divert the faulty packages to a different part of the factory. The computer would also keep a record of all the items which have been manufactured correctly, thus aiding in quality control.

Such systems replace human labour in meticulously looking out for faults or defective labels on products. Such work, for men and women, is tiring and often boring. More importantly fort he companies introducing the systems, the vision hardware (providing it is programmed correctly) can prove more reliable in this job than people.

GEI, a small company in Winston-Salem, North Carolina, is one of several enterprises making its presence felt in the area of the machine-vision market concerned with packaging. Competitors include Cutler Hammer and Cognex.

In total, more than 100 companies sell machine-vision systems in the U.S., in a number of specialist areas that, besides packaging, include inspection of components in car factories and the provision of "artificial eyes" to industrial robots.

In the latter area, robots are given the ability to spot the locations of parts they are required to pick up, rather than rely on a fixed program that assumes the components are always in the same place.

Other leading suppliers of machine-vision hardware in the U.S. includa Automatix (in which General Motors has a stake), Javelin Electronics, Object Recognition Systems, Zygo Corporation and View Engineering. The market for such hardware is growing, according to analysts, and may run to several hundred millions of dollars a year in the U.S. by 1990.

GEI is partly owned by Chesebrough Pond's, a big food and cosmetics company based in Clinton, Connecticut. Chesebrough invented its own machine-vision hardware in the late 1970s at its research laboratories in Clinton, mainly to aid tha automation of the company's own plants.

The North Carolina company was set up last year to sell the Chesebrough systems to customers in the packaging industry. Besides Chesebrough, the other major shareholder in the company is Mr Alan Miller, GEI's president.

GEI's systems sell on average for $40,000 and include a TV camera, a computer based on an Intel microprocessor and the necessary software. Of the 60 sets of hardware the company has sold, about 12 are in Chesebrough's own factories, doing jobs such as inspection of bottles of cosmetics to ensure they are labelled properly.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday May 20 1985

A mountain of bills and debts

SINCE direct controls on bank lending were abandoned under "competition and credit control" in 1971, British monetary policy has passed through at least four distinct phases. First, there was the Barber money and credit explosion. Targets for the growth of the money supply were introduced by Mr Barber and remained at the centre of policy under Mr Denis Healey, as part of a regime using the traditional instruments of an official bank rate and calls for special deposits from the banking system. This period was marked by funding and sterling crises, so the "corset" penalties on excessive lending growth were introduced.

When these were abandoned, it transpired that they bed caused large and largely unsuspected distortions and there was a second explosion in monetary growth — in spite of which inflation and ectivity fell sharply.

In 1981, therefore, a new regime was introduced, intended to allow the markets e far freer hand in setting the structure of interest rates, inclnding the official minimum lending rate, which was itself later abandoned as redundant. The underlying aim, as under the Volcker regime introduced in the U.S. in 1979, was to let the market set e price on the permitted growth of credit. However, British monetary policy continued, as always, to concentrate soiely on controlling liquidity, and a new device — over-funding — was found to neutralise the effect of excess credit growth without raising interest rates. Government securities have been sold to mop up excess liquidity and the mooey has been returned to the banking system through official purchases of commercial bills.

This has in its turn proved to be e source of major distortions. As the Bank's holding of bills has grown, transactions concerned with refinancing this portfolio have come to dominate the entire money market. The Bank has found itself setting a whole spectrum of market rates in spite of its wish to let the market take the iead. Its beavy buying in one sector of the market has also distorted the relationship between bill rates and other money-market rates, so that bills—unconditionally saleable after seven days to the Bank—have quite frequently been the cheapest source of credit in the market.

This lending of the first resort (for borrowers naturally turn first to the cheapest market) has been used on a scale which cannot be measured to finance both money market deposits and purchases of foreign currency purely for the purposes of risk-free interest rate arbitrage. Partly as a result, official boldings of bills heve grown into e mountain so large thet they now exceed the total currency in issue and the Bank is more than ever dominant in the markets, with single-day shortages more than once exceeding £100m. This is the background to the preseot overshoot in money and credit growth

Wider channels

In these circumstances, it is hardly surprising that the City is once egain deeply sceptical ebout official policy. In the space of e couple of deys last week one major firm of stockbrokers, Phillips and Drew, proclaimed the end of monetarism (and saw nothing to regret in this) while another, Greenwell, called on the Governmeot to overhaul the whole system yet again in order to svoid bringing monetarism into total contempt.

Certainly we do not believe that things can simply be left as they are. At the least, the authorities should seek wider channels through which to recycle liquidity: power was taken more than e year ago to use Exchequer bank deposits, and it should be used. The case for a more radical overhaul, as Greenwell suggests, also looks a strong one. It is no eccident that while the U.S. and UK systems, with their emphasis on controlling the demand for credit, have suffered repeated crises and reforms, the much narrower systems of targeting in West Germany and Switzerland have functioned quite smoothly in a turbulent world, without any need for overhaul. The existing official studies of monetary base control should be studied again.

Human rights in the Soviet bloc

HUMAN RIGHTS are, in East-West relations, fast becoming the political theme of the year. Last week Mr George Shultz and Sir Geoffrey Howe said they made buman rights e cardinal element of their talks with their Soviet counterpart, Mr Andrei Gromyko. In Ottawa the 35-nation review conference on buman rights has got under way, and in August the 10th anniversary of the signing of the Helsinki accords, with their key human rights provisions, will be marked with some considerable dipiometic fanfare.

Western politicians are trying to put Soviet bloc governments in the public dock on the issue of how they treat their own citizens. Will it have any effect? Aside from using the spotlight of public criticism, is there any real political or economic leverage the West can bring to bear?

The latter question is prompted by two statements in the past week. One was the claim by the U.S. delegate to the Ottawa conference that conclusion of e U.S.-Soviet arms control agreement and other improvements in superpower relations were "inextricably tied" to changes in Moscow's treatment of its own citizens. Back in Washington, the State Department demurred from what its delegate said and it was right to do so.

Arms control, that is, negotiating efforts to reduce the danger of the planet being blown up, is far too serious a business to hang on the myriad political disagreements between the two superpowers, even those over buman rights. In their more sober moments, successive U.S. administrations have recognised this.

Economic leverage

At the same time, final conclusion of arms control treaties —not just agreement beween Geneva negotiators but ratification under U.S. law by the U.S. Senate—will inevitably be affected by what Moscow does on buman rights. Soviet compliance with international agreements it has signed is an issue that the Senate, whether the White House likes it or not, will consider very broadly.

A call for economic leverage to be used to advance the cause of buman rights came from a very different quarter in the past week. The departing U.S. Ambassador to Romanie complained that President Nicolae Ceausescu had "outfoxed" the U.S. by continuing to restrict emigration from that Balkan country and that therefore Romania probably no longer deserved preferential trade and credit terms from the U.S.

A specific use of economic pressure for political ends is enshrined in U.S. law which permits tariff and credit concessions only to those communist countries which permit free emigration. In one isolated instance, this form of leverage worked. In 1983 the U.S. successfully used e threat to cancel Romania's favourable tariff status to get Mr Ceausescu to drop e grossly unfair levy requiring would-be emigrees to repay the cost of their Romanian education in Western currency.

This was e case where the objective was modest (removal of e tax) and the target country was unusually vulnerable (Romania happens to do a larger share of its total trade with the U.S. than any other east European country). But trying to use economic pressure to induce Poland to legalise Solidarity or the Soviet Union to pull out of Afghanistan is another matter. The West can impose economic sanctions as gestures of disapproval but they are just that, gestures.

All this, however, does not mean that the West is wasting its breath this year on human rights in the Soviet bloc. Just because we in the West are relatively relaxed ebout the nasty things that are said in the East about our political systems, this does not mean the reverse is true. On the contrary, Soviet bloc governments are sensitive, often morbidly sensitive, over what the West says, writes and, particularly, broadcasts about them.

They show it in different ways. East European governments tend to be willing to discuss—though, of course, stoutly defend—their internal human rights records with visiting ministers. Soviet leaders simply tell Westerners to mind their own business, as Mr Mikhael Gorbachev bluntly told inquiring Westminster MPs last year in London.

But Soviet bloc signature of the Helsinki accords 10 years ago gives the West a valuable, because completely legitimate, right to raise buman rights in al the countries of the East. It should be used to the full this year, particularly in regard to the harassment of those groups set up merely to monitor their governments' observance of Helsinki. It is e right that should be used by all Western governments, not just the U.S. and isterly the UK. It is important to let Eastern Europe know thet Western concern about buman rights in the East is an aberration strongly felt across the whoie political spectrum.

European biotechnology

The painful and costly process of growing bigger

By David Fishlock, Science Editor

THE FIRST wave of new biotechnology companies, spawned by the breakthroughs in the science of molecular biology in the mid-1970s, are no longer precocious infants but fast approaching their adolescence. Their all-consuming problem is bow to keep growing at an exponential rate.

Their fate will be a topic of debate and much rumour et Biotech-85 in Geneva this week, the first of three international conferences by the same organisers, with others to follow in Washington DC and Singapore in the autumn.

The bio-entrepreneurs who founded each companies as Genentech, Cetus, Genex, Biogen and Celltech—and several bundred more—raised venture capital against the promise that they could harness novel scientific methods such as genetic engineering and cell fusion to make much-sought drugs such as interferon, or infallible tests for bepatitis and many other diseases.

Some bio-entrepreneurs surprised even themselves with the speed with which they picked up the new techniques, and cloned substances they had targetted. They demonstrated convincingly how techniques that were bot off the academic laboratory bench could be transferred with little delay into a commercial setting. They opened the way to bio-synthesis of chemicals far too complex to synthesise by conventional methods et present.

Dr Sydney Brenner, director of Britain's most fertile source of ideas in this field, the Laboratory of Molecular Biology in Cambridge, says be sees the new biotechnology firms filling a gap in the academic canvas, while universities set abont creating more commercially orientated departments of genetic technology to facilitate technology transfer to industry.

In Britain, this gap is elowly filling despite shortages of cash. Universities like Bath, Leicester and Warwick are building a capability in biotechnology with substantial industrial support from ICI to John Brown Engineering.

But some of the bio-entrepreneurs have ambitions that go far beyond any idea of being merely e stop-gap while the academics edjust to industry's latest requirements. They talk boldly of growing into big industries, particularly in health care.

Their optimism is rooted in the idea that new biotechnologies still being developed will permit the scientist to cut through the costly tedium and delay in discovering new drugs. Instead of screening thousands of possibilities for one that might solve e medical probiem —which can take a drug company 10 years—their goal is to specify the protein exactly et the outset, then set out to make it by biotechnology.

They cannot do this "protein engineering" yet. But they believe they can move much faster than the big drug houses, which have so much of their research effort committed to the traditional pattern of research.

Their problem is how to persuade their financial patrons to be very patient while they—and the universities behind them—perfect their techniques. Mostly they raised venture capital on the basis that they would be engineering new products for an investment of e few million dollars and within about five years. Now the payoff date looks more like the 1990s and the investment needed could be many tens, even bundreds, of millions of dollars.

This is because, even if the new scientific techniques successfully short-circuit the research phase, there is no way the companies will be eble to bypass the very lengthy development phase to prove the safety and efficacy of the product.

The dilemma of the adolescent biotechnology firm which has grown from a few wide-eyed enthusiasts to e few bundred employees is how to present this problem to its patrons. "It's quite staggering bow many people want small companies to remain small," says Mr Wensley Haydon-Baillie, chairman of Porton International, one of the latest British biotechnoiogy ventures.

The dilemma has already been resolved in many cases by selling out to bigger companies seeking e ready-made pocket of experience in biotechnology. Bethesda Research Laboratories near Washington DC, one of the first, which in 1981 declared its intention of becoming "the IBM of biotechnology," is now part of a bigger company, Gibco, and renamed Life Technologies. Agrigenetics, launched in 1975, is now part of Lubrizol, a U.S. oil additives group. Genex, another U.S. pioneer, has been cutting staff and is said to be ripe for takeover.

Rumours are rife that Biogen based in Geneva and Boston, Massachusetts could be another. Its running costs rose by 49 per cent last year, to nearly $44m, mostly for research and development.

Biogen's loss of Dr Walter Gilbert, its founder and recruiter of its top scientific talent who retired abruptly as chairman late last year has helped to feed these rumours.

Dr Gilbert never disguised the fect that he modelled Biogen on Genentech, the Californian start-up founded in 1975. Genentech raised U.S. venture capital to back an idee supported by Herbert Boyer, one of the co-inventors of genetic engineering. Biogen sought to repeat it with capital raised outside the U.S., but has consistently raised less than it wanted.

Genentech is the outstanding success story among the new biotechnology firms, with an unparalleled record of scientific innovetion. Its conquests range from genetically engineered "living" substances such as interferons (as cancer treatments), insulin and Factor VIII (the blood clotting factor that most haemophiliacs lack) to bovine and porcine growth hormones, expected to make e dramatic impact on the productivity of beef, dairy and pig farming. It was the first to declare plans to take on the big drug bouses.

From the outset many big companies have been among the patrons of the new biotechnology ventures, while more slowly developing their in-house resources. Socal and Shell supported Cetus. Schering-Plough backed Biogen. Eli Lilly and Hoffman-La Roche were among Genentech's first clients for contract research.

Genentech's spending grew from $31.9m in 1982 to $45.5m in 1983, to $66.8m last year. But in 1984 its total revenue —up by 48 per cent—came ont $2.7m ahead of the expense of a payroll almost double that of Biogen. It has sufficiently impressed big business to negotiate three joint ventures involving four major U.S. groups —Hewlett-Packard, Baxter Travenol (e healthcare company), Corning Glass and A. E. Staley (an agribusiness group).

Celltech, the leading British biotechnology start-up, still less than five years old, has copied the Genentech pattern. It has negotiated joint ventures with Boots and Air Products, in each case for a substantial downpayment for its special skills.

Like Genentech and Biogen, Celltech has one over-riding ambition — "to be a darned big company in ten years' time," as Mr Gerard Fairtlough, its chief executive sees it. The initial backers in 1980 were four City institutions, British and Commonwealth Shipping, Midland Bank, the Pru and ICFC, which put up 56 per cent of the cash being sought. This substantial injection of private cash was enough to persuade Sir Keith Joseph, then Secretary of State for Industry, to find the other 44 per cent.

ICFC has since got cold feet over the timescale — and the Government, as a matter of principle, has reduced its stake to 15 per cent. In has come Biotechnology Investments, NM Rothschild's dedicated trust whose chairman, Lord Rothschild, has stated that it seeks investments with a payoff time of up to seven years.

"We always go into these investments on the complete understanding that we are going to have to put in more money," says Mr David Leathers, fund manager of Biotechnology Investments. Another of its executives has what he calls the "pi-rule" — you end up putting in 3.14 times your original investment.

Biotechnology Investments owns 11.1 per cent of Celltech. Mr Fairtlough believes that, even though "most people who joined Celltech were thought to be crazy," the company has already proved that you don't need to be in California to start a highly competitive biotechnology company. He forecasts revenues of about $8m this year, mainly from sales to the U.S.

Although it could require $100m to make Celltech "a darned big company" at a time when other biotechnology startups are disappearing, its executives believe that Britain is ripe for several more biotechs, each exploiting a particular facet of British research —the strongest in this sector outside the U.S. according to science advisers to the British Government.

Finance should not be the problem, the City says, particularly now that Celltech has cleaved e path. But each would need to transfer its technology as efficiently from academia as Celltech has done in medical research. This is not easy. The eagerness to co-operate shown by Medical Research Council scientists is not yet apparent in other promising sectors.

Ironically, each start-up, as it grew, would probably need to enter into joint ventures with big business in order to preserve its identity as an independent biotechnology company.

Mr Haydon-Baillie has no doubt about the dangers of a "little England" approach to biotechnology. For him it is inescapably a totally worldwide technology.

Porton International, although launched only last year, is an infant only in name. The name, registered last year, is a reminder that the laboratory was once a world-famous centre of germ warfare research. Mr Haydon-Baillie has been assembling his company for eight years, from constituents which have been in biotechnology for as long as 40 years. As he sees it, the company fulfils three fundamental requirements. It is market-led, it is fuly international, and it has "command over, rather than access to, its prime technology." Like Biotechnology Investments, it has assembled a portfolio of investments, but in this case it wholly owns most of them.

Like Genentech and Celltech, Porton also sees the future in terms of joint ventures with established companies. But so diversified is the biotechnology company that Mr Haydon-Baillie has created that he forecasts that it will negotiate about 40 joint ventures worldwide within the next five years.

LEADING RESEARCH COMPANIES

Company	Country	Objective
Amgen	U.S.	Diagnostics
Biogen	U.S./Europe	Healthcare/Diagnostics
Celltech	UK	Healthcare/Diagnostics
Centocor	U.S.	Diagnostics
DNA Plant Technology	U.S.	Crop enhancement
Genentech	U.S.	Healthcare
Genetics Institute	U.S.	Healthcare
Genetic Systems	U.S.	Diagnostics
Genex	U.S.	Speciality chemicals
Hybritech	U.S.	Diagnostics
Immunex	U.S.	Healthcare
Molecular Genetics	U.S.	Healthcare

Men and Matters

Italian tactics win points

Last week's farm prices debacle in Brussels came as something of e hiccough in an otherwise quite impressive run of Italian negotiating triumphs during its current presidency of the European Community.

This time, despite all the tricks of the trade—marathon negotiating sessions, interminabie bilateral meetings, and painstakingly-put-together compromises—Filippo Marie Pandolfi, Italy's Agriculture Minister, was unable to push his Bavarian colleague, Ignaz Kiechle, to cut deeply into cereal prices.

But the Italians have brought off some difficult deals—on steel subsidies, car exhaust pollution, and not least, the conclusion of the seven-year negotiation of EEC membership for Spain and Portugal.

Giulio Andreotti, the Italian Foreign Minister and former Prime Minister, tied up the membership negotiations with a record five-day Council meeting, ending in almost 40 hours of continuous talks. "After 40 years in Italian politics, it is easy," he told officials.

He actually spent much of the talks writing an article about conflicts in the Middle East, breaking off with an unerring sense of timing to call the debate to order when a compromise seemed imminent on some key point.

The Italian success seems to bave been founded on two main tactics. The first is to bold exhaustive bilateral meetings to determine each country's bottom-line position. Meanwhile, the other participants are forced to wait in growing frustration—and then prove more eager to reach a conclusion when the plenary session is finally summoned.

The other tactic has been the more familiar one of simply exhausting participants into submission. Italian politicians beve ecquired great stamina from their years of coalition politics.

Council meetings have been reconveoed at any hour of the night, with ministers forced to negotiate in "super-restricted" sessions without their normal back-up teams of officials.

Quite apart from the general agreements they have sealed in this way, the Italians have also done rather well on their own account.

Andreotti managed a fair degree of protection for Italian orange-growers during the negotiations with Spain. And Pandolfi used the German intransigence on cereals last week to ease the demands for price cuts in most Mediterranean fruits and vegetables.

"On the whole, we'd have done better with Francis Pym in the centre"

Hard driving

Knowing the British are usually at a ioss with a foreign language, the Spanish motor industry thoughtfully provided some background notes in English for reporters at the Barcelona motor show.

This is how it expiained that its exports were doing well but the weak domestic market was causing problems.

"Definitively, the Spanish exporter's success hides a failure as even the Japanese Industry has reached, in its period of increase, to sell more than 54 per cent of its prodnction in the foreign countries, while Spain has reached 60 per cent as its expressed statistics.

"And this failure is not other than the stagnancy of the home market (for the reason before mentioned), whose extension would affect its own production as it is unthinkable to design and prepare some models outside the context of their majority use.

"Wanted or not, as the Japanese know, they can not always depend on the exterior and the exportation should be in the iong run, always inferior to the home sales."

Banking on Brooks

It is not a job everybody would relish. But John Brooks, Midland Bank's deputy chief executive, seems to be looking forward to it: integrating the ill starred Crocker National Bank into the Midland Group—assuming that shareholders later this week approve Midland's purchase of the 43 per cent of Crocker it does not own. U.S. shareholders vote tomorrow, UK shareholders on Thursday.

Brooks' appointment effectively makes him the man who must prove that the whoie rationale for buying Crocker can work. Expounded back in the heady days of 1980, it was that Midland needed Crocker to boost its presence in the U.S. and add to its stature as a worldwide bank. But since then Crocker has lost $350m.

"I suppose you could say it's now on my shoulders to make Crocker a successful investment for Midiand," says the soft-spoken, silver haired Brooks, though he stresses that key roles will be played by Herve de Carmoy, the Frenchman who beads Midland's international division, and Frank Cahouet, the American chairman of Crocker.

Brooks has undertaken daunting tasks et Midland before. He oversaw the computerisation in the eerly 1970s. Since then e series of high ievel posts has made him familiar with the inner workings of the UK's third largest bank, though more on the edministrative than international banking side.

The Crocker job will "take a longer rather than a shorter time" says the 56-year-old Brooks who expects to have it finished by the time he retires in 1988.

Brooks' current responsibilities ere being parcelled out to other senior Midland executives. One man who gains is Michael Julien, the finance director, who is put in chmarge of administration for the whole Midland group as well.

Heavenly pay

"My rewards are mainly spiritual," says Dr Javier Torres, the Bolivian minister of bealth, who is in London as a guest of the British government.

They are certainly not monetary. With a salary of about £40 a month Torres believes that he and his colleagues are the world's worst-paid cabinet.

If any politicians challenge his claim to that unenviable record they may call me—and reverse the charges.

Ring back

A key ring which beats anything Gucci has designed as a status symbol has reached London. It could allay the panic which spreads through thousands of homes after breakfast each morning, when the cry goes up: "Anyone seen my car keys?"

This key ring has a chip which responds to four sharp handclaps by bleating plaintively to reveal its whereabouts.

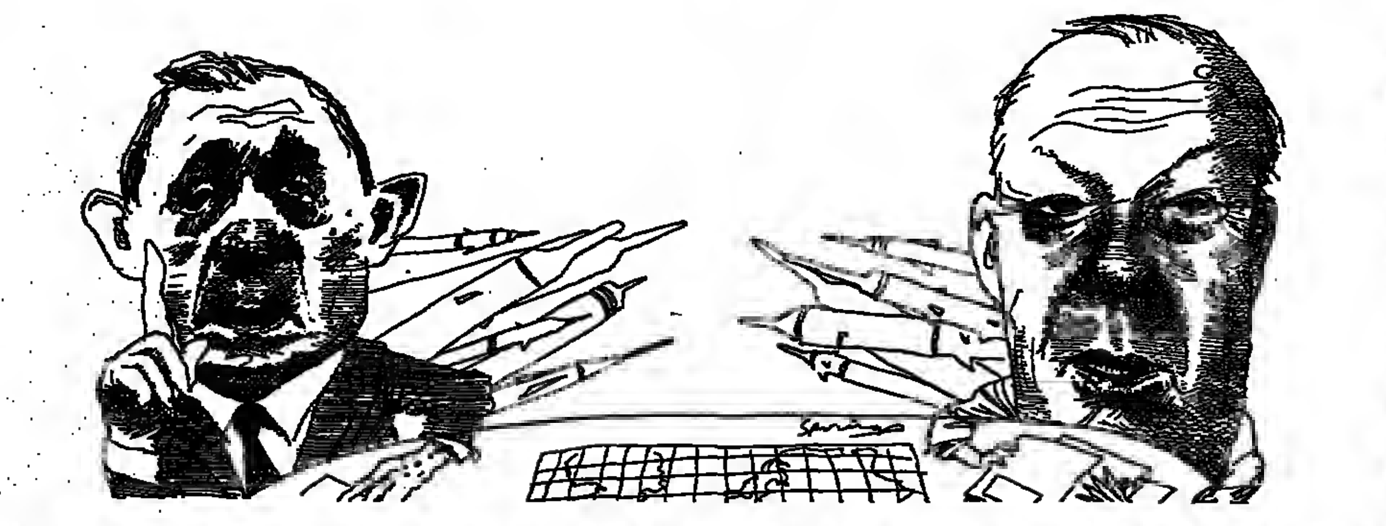
I saw a lady delight e party of diners at a London hotel with its response to her summons. But she warns that it sometimes answers another, as yet unidentified, call — and bleats when she is driving.

Observer

Foreign Affairs: Arms Control

Now it's up to Mr. Gorbachev

By Ian Davidson



MR GEORGE SHULTZ, U.S. Secretary of State, has described his six-hour conversation with Mr Andrei Gromkyo in Vienna as "useful," "worthwhile," "detailed," and "comprehensive." Since he did not say or imply that any progress was made on any issue, and since the two foreign ministers were apparently unable to agree on the time or the place for a meeting between President Reagan and Mr Mikhail Gorbachev, we can only deduce that it was a pretty disagreeable *occasion*.

The blankness of Mr Shultz's public comments is tantalising. But it is not too difficult to reconstruct the kind of dialogue *that must have taken place*.

S. "As you know, President Reagan is looking forward to meeting your new leader, Mr Gorbachev. The U.S. Administration believes the time has come to seek new opportunities for a constructive dialogue."

G. "A constructive dialogue? But what can they agree on? Where will be the meeting of minds?"

S. "We believe it is important for our two countries to reduce tensions and to develop closer relations. President Reagan is anxious to give real political impetus to the arms control negotiations in Geneva, and he believes that a meeting with *Mr Gorbachev* could provide that impetus."

G. "We agree on the importance of reducing tensions, and on the importance of arms control. But we do not see any prospect of progress on arms control so long as your government presses ahead with its famous Strategic Defence Initiative. This seems to us an attempt to achieve strategic superiority over the Soviet Union.

"Your Star Wars programme is an explicit threat to existing arms control agreements (three of which have not been ratified by the United States), and especially to the 1972 Anti-Ballistic Missile Treaty, which has been ratified."

S—"You are mistaken. We have said many times that we *do not seek strategic superiority*. On the contrary, we seek a safer and more stable world, in which nuclear weapons would be less threatening; *first by making big reductions in offensive* nuclear arsenals, second by buttressing the nuclear balance with defensive systems."

G—"Oh, so you want big reductions in offensive nuclear weapons, do you? Then why are you *building* the super-accurate MX missile, which could threaten our ICBMs, and why are you planning to build Midgetman missiles? Why are you building the B1 bomber, and why are you planning to build the Stealth bomber? Why are you deploying nuclear sea-launched cruise missiles?"

S—"This is just essential modernisation. In the 1970s we neglected our defences, while you were building yours like crazy. President Reagan was *elected to make good the* deficiencies in our forces, to make America strong enough to have a constructive relationship with the Soviet Union."

G—"You see, you admit it: you want strategic superiority!"

S—"Not at all. For that matter, why are you building your new SS-X 24 and SS-X 25 inter-continental missiles, and the Blackjack bomber? Why are you deploying so many intermediate-range missiles in Europe? If you're so keen on arms control, why have you built that big radar at Krasnoyarsk, which is e flagrant violation of the ABM Treaty? And why are you building two new ICBMs, when only one is allowed under the Salt II treaty?"

G—"We have explained many times that the Krasnoyarsk radar is not a radar forbidden by the ABM treaty, but is a space-tracking system. Whereas the speeches of your President represent the clearest possible declaration of intent to break out of the ABM treaty just as soon as you are ready. Naturally, *we* have no such intentions, but—."

S—"In a pig's ear! You know damn well you've been doing more research on anti-missile defences than we heve, and for much longer. The only possible construction we can put on the installations you are building, is that it is *you* who are preparing to break out of the ABM treaty!"

This kind of conversation *could go on for quite some time* six hours or six years, unless both sides decide the time has come to change both the script and the story-line.

When European governments warn their electorates that the Geneva negotiations are going to be e long haul, they appear to be indicating that arms control is very complex and cannot be expected to produce quick results. As far as it goes, it is a reasonable message. But it also offers a misleading reassurance, as if time and technical diligence by the negotiators would eventually deliver the goods.

Public opinion wants and needs reassurance, and the mere fact of continuing negotiations in Geneva seems by itself to be reassuring. But it is probable *that* the negotiations will remain immobilised at the starting gate unless both sides make some shifts on questions of principle.

The most fundamental shift required is on the issue of anti-ballistic missile defence — America's Strategic Defence Initiative and the corresponding programme in the Soviet Union. There is no point in the Russians calling for a ban on SDI research, since such a ban could not be verified—unless they are merely looking for a pretext for refusing any cut in nuclear weapons. Moreover, after all the fanfare over SDI, it is politically out of the question for Reagan to agree to such a ban, even if it could be verified.

On the other hand, there is no point in the Americans pretending that they can get a nuclear weapons reduction without conceding anything on the question of ballistic missile defence. Not merely is the link between the two questions unavoidable, but it was explicitly acknowledged in the joint communiqué which launched the talks in January.

Here one may detect a shift of emphasis among American advocates of arms control who are outside the Administration. No so long ago, their priority seemed to be to fight SDI through a Campaign to Save the ABM Treaty. Now, recognising that SDI research will not be strangled and may gain unstoppable momentum for a number of years, some of them have shifted position. "An early task," in the words of one of them, "is to find a way to accommodate ballistic missile defence research without sacrificing all arms control prospects in advance of knowing the outcome of the research."

This shift of view is partly e case of adapting to the inevitable; but it is also partly a reflection of a growing consensus that the most likely, and the earliest, application of SDI research could be in the selective defence of localised military targets rather than in some fantastic leak-proof astrodome. If so, it just might contribute to nuclear stability—providing it were clearly constrained within an arms control régime.

The implication is that the offence-dilemma in Geneva can probably only be resolved if the ABM treaty is adapted in e number of precise ways. The bargain here would be that, in exchange for permitting closely defined testing of closely defined missile defence components and *sub-components*, the revised treaty would spell out an equally precise ban on other types of testing, with e total ban even on permitted *testing until some distant date* —say, 1995.

This would allow President Reagan to claim that the SDI programme would remain alive and vigorous; should persuade the Russians that no deployable system could be effectively developed until long after President Reagan had left the scene; and might allow research to prove that large-scale defence was neither feasible nor affordable.

To maintain balance on the other side of the equation, an offensive arms reduction agreement would need to be phased over an equally long period. And to enhance predictability —the most essential ingredient of arms control—the notice period for abrogation of any part of the package would be lengthened to, say, three years.

There may be other, better ways of squaring the SDI circle. But the real obstacle to progress in Geneva is not the technical difficulty of constructing a package, but the super powers' mutual suspicion of each other's intentions—which derives from Soviet secrecy and the gyrations of U.S. democracy.

This suspicion is epitomised by American complaints that the Russians have violated existing arms agreements, notably with the radar at Krasnoyarsk. The problem here is much less the practical utility of the radar for forbidden purposes, than the blatant fact that the Russians have built a facility which is banned.

The U.S. Administration claims that it wants to "reverse the erosion" of the ABM treaty. In fact, of course, it is already searching for, or inventing, loopholes in the treaty to conduct its own SDI testing. What it means, however, is that the compliance issue is central to any new treaty.

The Americans go on to argue that, if they could secure deep cuts in offensive missiles *and* a substantial anti-missile defence, then Soviet cheating would be less of a worry. That posture *guarantees a failure in Geneva*, because the U.S. cannot hope to get deep missile cuts without making substantial concessions on unilateral deployment of missile defences.

In previous negotiations, all the innovative thinking has come from the U.S. We cannot expect that this time round, because of Reagan's commitment to SDI. Nor can we expect it from crusty old Gromyko.

The unknown factor is Mikhail Gorbachev. His pronouncements so far have been erratic, veering from the conciliatory to the offensive, from the intriguing to the banal. Much may depend on whether he can start the Geneva ball rolling in a new direction.

Lombard

The brass plaque controversy

By Duncan Campbell-Smith

BUY A stalls ticket at London's Barbican Theatre these days and you could spend the evening *sitting in a hot seat*. There are 10 to choose from: what makes each of them special is a small, brass plaque on the back of the seat bearing the name of a firm of City solicitors.

The seats—or more precisely the plaques—are at the centre of a lively squabble between the Law Society and the 10 firms concerned. The society believes they may have broken No 1 of the Solicitors' Practice Rules ("Thou Shalt Not Tout for Business") and it may yet ask for the plaques to be removed. The offending firms have been invited, as they say, to offer their comments.

It might have been more appropriate to ask for them back in 1982, when the deed was done. Each plaque commemorates the donation at that *time of £1,000 or more to the* Barbican and it would seem reasonable to assume the donors acted out of the goodness of their hearts.

After all, it may be true that lawyers can have more trouble than most of us in agreeing upon a suitable form of words; but they presumably appreciated in 1982 that seat plaques with a bare name and nothing else—not even the word "solicitors" appears—would offer them a poor advertisement for their money.

The Law Society is not so sure. Or at least, that is the impression given by its earnest *inquiries*. *Admittedly*, the society seems not to have instigated the whole affair. Someone complained about the plaques—another solicitor?—and the society has been obliged to take things further. The fact remains, anyway, that the society surely finds itself caught up in an affaire more worthy of A. P. Herbert's Misleading Cases than of the statutory governing body of the English legal profession.

The Case of the Barbican Seats could also be a cautionary tale. The timing of the society's concern has much to do with its relaxation last October of the traditional ban on all solicitors' advertising. Its new rules allow some kinds of advertisement but not others. Distinguishing the first category from the second is in some instances proving rather tricky—and is surely going to require a defter approach if the society is to avoid appearing faintly risible, or worse.

Some problems over the new rules were inevitable. Not all the resultant anomalies are so instantly dismissible as the application of the Dundee solicitor who wanted to put his firm's name across the shirts of Dundee Football Club. The Law Society of Scotland kicked that one into touch pretty smartly in March.

But the English society has had a terrible time, for example, trying to decide whether advertisements on Prestel should be allowed—like entries in a directory, which would fit the rules—or prohibited as part of the continuing ban on television commercials.

The Prestel dilemma, even more than the Barbican brouhaha, shows how difficult it might be to hold any consistent *line over advertising as the law* adapts to new technology and less regulation. The society intends to rule on the issue on May 22.

But the Barbican seats have another, potentially graver significance. The 10 donors are all City partnerships and include e handful of the biggest firms in the profession. The whole episode may have struck many City lawyers as a storm in a teacup. But endless gossip about its implications suggests that the society's attitude has touched a sensitive nerve.

The City firms have so far set their faces against any form of advertising. But the Big Eight accountants grow more and more brazen in their advertising of legal as well as strictly accounting services.

If the City firms should react by changing their own stance towards the media, they might very soon chafe at society rules full of idiosyncratic guidelines (no references allowed, for example, to specialist skills). The curtain could then go up on e show-down in the profession which would leave the Barbican seats looking trivial indeed.

Letters to the Editor

Short v long term views

From Mr D. Damant

Sir,—Your leader "Short v long term views" (May 16) does not pull the strands of the argument together. You mention that many institutional portfolios fail to equal the performance of a completely passive fund which buys and holds the constituents of a market index, but you fail to point out that this lack of performance is due to the efficient pricing of stocks by the market. That is, it is difficult to outperform the market indices because share prices efficiently discount the future prospects of each of the companies concerned.

Of course, if the market is not completely efficient there will be some opportunities for the institutional fund manager; and this has resulted in the core/non-core approach, with funds establishing a considerable core invested passively in the index, allowing managers to take higher risks with the balance, in order to obtain a higher return overall. But in seeking out such inefficiencies which do arise, there is no reason to distinguish between long term and short term opportunities. If the short term opportunities were too heavily backed, sales would result and the money would go into the previously overlooked and therefore underpriced long term opportunities. These long term opportunities will be discounted at a lower rate if there is confidence that inflation and *interest rates will remain low* (as in Germany); but that is a reflection of reality—to invest for future incomes whose present value is negative is to destroy wealth, not to create it.

The evidence that this City takes a short term view is anecdotal. For example, it is frequently pointed out that fund managers and brokers' analysts spend most of their time discussing short term influences. In an efficient market, all the news already known is in the share price. The only profitable thing to discuss is the next piece of news. Nearly always, the next piece of news will be the next results or some other short term factor. But this does not entail that there is anything wrong with the continuing valuation of the long term prospects of a company as expressed by the share price in an efficient market.

Nevertheless, there will be a real effect if it is believed that the City takes short views and if industrialists take investment decisions accordingly. Many industrialists are unaware of the efficient market theory and when it is drawn to their attention they demonstrate frank disbelief. In fact there is no competing theory whatsoever about the behaviour of the Stock Exchange and, even if (as is probable) the marginal inefficiencies are rather greater than the hard line theories theorists suppose, the model which this theory puts forward has profound consequences for *company financing and in other areas* such as accounting standards, quite apart from the consequences for portfolio management. This is not only an *academic question*.

David C. Damant,
Quilter Goodison & Co,
31-45 Gresham Street, EC2.

Abolish wages councils

From the Deputy Chief Executive, Trusthouse Forte

Sir,—This company, in common with most others in the hotel and catering industry, believes wages councils should be abolished for the following reasons:

The employees side is not representative, and therefore, has no responsibility for the decisions it influences.

Awards do not take account of trading conditions in the industry so there can be a high award in a bad year and vice-versa.

Wages councils do not affect large employers like ourselves who pay well above wages council rates, but smaller employers who provide the bulk of the employment within the industry can easily be put out of business with a high award at the wrong time with the resulting loss of jobs.

The hotel and catering industry lends itself very well to the development of *apprenticeships*, but the high percentage of adult rates which the wages councils have insisted should be paid to young people has greatly curtailed the opportunities that could have been offered.

Benefits and conditions (eg working week, holidays, etc) have been granted with little *understanding* of the special circumstances of the industry.

Donald D. Durban.
86 Park Lane, W1.

Subsidising sweatshops

From Mr R. Jowett.

Sir,—The argument that abolition of wages councils will lead to an increase in employment is based more on faith than fact. *That such a* step would depress both productivity and quality of manufacture is all too likely.

The suggestion, however, that taxation and benefit changes can allow employees to supplement *low pay* is far more disturbing. This would not be an attempt to address the "benefit trap," it *would in fact be a subsidy* to employers who are too inefficient or exploitative to provide decent wages.

I am not opposed to subsidies in principle, but they should make economic sense, such as assisting capital investment or serve a social purpose such as sustaining public transport.

That the Government can contemplate using public monies to subsidise sweatshops in declining industries is a clear sign of its political and moral bankruptcy.

Richard Jowett,
4, The Bank, Leeming, Oxenhope, W. Yorks.

Education and children

From Mrs M. Miller

Sir,—Local authorities are backing off setting illegal rates but are already acting illegally by not carrying out their responsibilities set them by, for example, the 1981 Education Act. Giles Radice (May 14) seems to think that calling a school "comprehensive" and bussing children of all abilities into a conglomeration of school buildings is the answer to our problems.

Michael Dixon's example (May 15) of a class of 30 being disrupted by a 9/10-year-old boy who cannot read, write or concentrate, gives an indication of deeper problems than school organisation which should be addressed by implementing the 1981 Education Act by beginning to fit teaching and resources to the special needs of the children. Many teachers, says Michael Dixon, admit that their salary dispute is only one element in their dissatisfaction and low morale.

Of course, I base my ideas on my own experience. My local authority is not prepared to accept my son as one of these slow-learners. We now pay £5,000 per annum at a special school (how's that for parental interest!) where his reading age has increased from 6½ years to 10½ years in 18 months. Estimates of the numbers of (mainly) boys with these sorts of problems range from 5 to 20 per cent.

It's time we pushed aside excuses of administrative and teaching incompetence, parental disinterest, lack of money and resources to do what we can even on a shoe-string. Everyone should agree that we must get the education system out of its present mess not only to extricate the economy from decline but to "lead out" the talents of all our children and to help them have an interesting, worthwhile life whether in or out of paid work.

(Mrs) Margot Miller,
Pump Close, Shilton, Oxon.

Engineers—or the horse and cart

From Mr L. Fletcher.

Sir,—You have had correspondents who class people as accountants, engineers, lawyers, etc., as if they are produced from birth for a particular profession. The reality is that the professions are comprised of the academically brighter members of the community. The choice the individual makes is governed *by a number of factors*, not least (a) financial reward at a reasonably low age, and (b) following the same occupation as a parent. The trouble with any engineering that has creative content is that it is a very satisfying occupation. For this reason a large number of engineers do not wish to graduate into top management if this means losing contact with the engineering side. The normal ambition for power and higher income is balanced against the challenge of nature, and the latter often wins.

With regard to engineers being inarticulate, most technical reports I have read compare favourably with any other sort of document. It must also be remembered that an engineer is trained to communicate in pictures, that is what drawings are all about. One expects a politician to be verbally articulate since that is his training and he needs it for his craft. It must be said that a professional engineer with experience probably has e wider all-round *knowledge* than any other profession.

A lot of hard thinking and dirty hands went into aircraft, cars, oil rigs, computors, and all the gadgets we take for granted in and around the house.

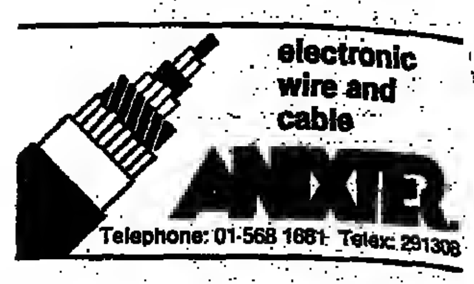
In peace, as in war, success goes to the nation most technically advanced. Japan knows this. Britain is now getting rapidly poorer because we have deviated from this basic fact. With our resources of materials and people we should be running neck-and-neck with the leaders, not trailing miles behind. Lawyers, accountants, doctors, etc., spend money, articulate or not engineers make it.

Roll on our first engineer-trained Prime Minister, who, I am sure, would soon have everyone doing useful work.

L. M. Fletcher.
72, Severn Road, Culcheth, Warrington.

FINANCIAL TIMES

Monday May 20 1985



Terry Byland on Wall Street

High-tech gets a low rating

AMERICA'S love affair with computers, which seems to have replaced its earlier passion for the motor car, appears to be cooling off – at least on Wall Street. High-tech stocks, the original driving force of the post-1982 bull market, are now sensitive to a slowdown in orders, a highly competitive market, and several actual and near-bankruptcies in the industry.

More than $13.5bn has been wiped off the market capitalisation of the top six computer companies in the past quarter. Last week the sector reacted nervously when Hewlett-Packard stock plunged, even though poor second-quarter figures had been widely expected.

The sector's weakness may reflect a deeper shift in the industry rather than merely a cyclical slowdown. Some hard lessons have been learned in the personal computer area. And now the big industrial and business buyers, the mainstay of the computer manufacturers, are having second thoughts too.

Traditionally, the purchase and application of computers at major corporations rested with corporate computer staffs, usually called management information systems (MIS). This benefited established computer manufacturers, in particular IBM.

"You never get fired if you buy IBM," as cynical MIS executives were prone to put it. But it seems that decisions on purchases have been taken out of their hands. They are increasingly made by frontline

Stock	Price	85 Peak
Apple	21¾	31
Hewlett-Pack	34⅛	39
Data Gen	41⅛	76
Digital Equip	104½	126
IBM	130⅝	138
S & P 500	187.42	187.42

manufacturing and marketing managers, under the aegis of the boardroom chieftains, who have noticed that in the 1970s, U.S. industrial productivity remained flat, despite massive injections of expensive computers.

General Motors, having spent $3bn in purchasing Electronic Data Systems, has left it as an independent entity, reporting direct to Mr Roger Smith, GM's chief, and with full responsibility for the $5bn Saturn project.

Other leading corporations to introduce similar high-level computer strategies include General Electric and BankAmerica. Recent research indicates that 5 per cent of MIS managers now report directly to the board.

For the computer manufacturers, this means opportunities as well as risks. At Butcher Singer, the Philadelphia-based brokerage firm, Mr Nicholas Pagon and Mr Michael Howe point out that the shift could help smaller companies challenge IBM in the battle for the estimated $100bn to $150bn office automation market.

They have discovered that, as expected, 75 per cent of MIS managers plan to buy IBM machines this year, while only 5 per cent intended buying Apple Computer's Macintosh. But the same survey showed that more than 30 per cent of the potential end-users, the frontline men, wanted a Macintosh.

IBM has moved quickly into the market for business desktop machines, and has impressed all comers with its marketing expertise. Nevertheless, Apple, which has hardly touched the corporate market yet, has great opportunities to sell the Macintosh there. To begin with, it can capitalise on its strong position in the educational market, where tomorrow's executives are presumably busy getting their computer grounding.

At $21¾, Apple is 30 per cent off its 1985 peak, which contrasts oddly with the new record levels of the Nasdaq and other broadly-based market indices.

Hewlett-Packard was treated harshly by the market last week. It has already "established a beachhead" among front line corporate executives, according to Mr Michael Howe. By next year, it will have introduced a replacement for its existing "old but good" HP-3000 model. Like most in the industry, Hewlett has little going for it this year. But its high reputation among corporate customers will pay off in 1986, when earnings a share could increase from about $2.15 to $2.50, or even $3.00, believes Butcher Singer.

If there is to be a loser from the changing attitudes towards computers by U.S. corporate executives, then Butcher awards the wooden spoon to Data General, which has already been hammered in the stock market. Data General will suffer because it lacks utterly a presence among front line managers, thinks the Philadelphia firm. More than two thirds of Data's sales are to original equipment manufacturers, which cuts the company off from the corporate end users who are becoming so important.

Liaison team row shows frailty of HK accord

BY DAVID DODWELL IN HONG KONG

BRITAIN at the weekend bowed to pressure from Peking over membership of the body that will over the next 12 years oversee Hong Kong's transition to Chinese sovereignty. In the face of Chinese refusal to accept Mr Eric Ho, a Hong Kong Chinese, in Britain's three man team, Whitehall has granted Mr Ho full British citizenship.

A dispute over the membership of the joint liaison group, which is intended to begin its work in July, has brought to an early end the honeymoon period that followed the signing in December of the Sino-British agreement on Hong Kong's future after 1997.

Whether the dispute has cast a cloud over the planned visit to Britain in June of Chinese Premier Zhao Ziyang is as yet unclear, but officials see it as an early reminder that Britain and China remain deeply divided over a number of issues linked with Hong Kong's future, and that the joint liaison group has a difficult agenda ahead of it.

Whitehall will announce tomorrow that Mr Ho, who is currently Hong Kong's Secretary for Trade and Industry and one of the territory's most senior civil servants, is to be given a British passport. At present he holds a New Zealand passport and a British dependent territories passport.

The Chinese Government has until now objected to Britain's proposal to have Mr Ho on the joint liaison group as a member of Britain's three-man team because he is a Hong Kong Chinese. This is in spite of the fact that each side is in theory entitled to choose freely its own members. Peking argues that Mr Ho is ethnically Chinese, and as a holder of a Hong Kong travel document is in reality a Chinese citizen. They refuse to have a Chinese facing them from the "British" side of the negotiating table.

Britain has argued that it is important to have a Hong Kong voice on a body that is likely to address issues which have a critical bearing on the territory's future. Rather than capitulate by withdrawing Mr Ho's name, Whitehall concluded that the only basis for compromise was to give him full British nationality.

The joint liaison group is intended to begin work shortly after the Sino-British agreement is ratified next week. Until 1988, it will meet alternately in Peking, London and Hong Kong. After that date, it will be based permanently in Hong Kong.

Our Hong Kong correspondent adds: Prime lending rates in Hong Kong have been cut by a half of a percentage point to 8½ per cent, with effect from today. Barring a brief period in March last year, this marks the lowest interest rate level in the territory for seven years. Prime rates peaked at 17 per cent last July as political uncertainty swept the colony.

Local analysts attribute the steady recovery since then to a revival of confidence in Hong Kong's economy, to the steep fall in interest rate levels in the U.S., and to local bankers' difficulties in lending money in sufficient quantities at recent interest levels.

U.S. may flout Gatt in dispute

BY NANCY DUNNE IN WASHINGTON

THE U.S. is considering "flouting" the General Agreement on Tariffs and Trade (Gatt) to retaliate against three or four EEC products in a long-running dispute over citrus exports to the EEC, according to officials in the office of U.S. Trade Representative.

This is the latest in a series of seemingly intractable differences over agricultural trade and evolves from a long-standing U.S. complaint of injury to its citrus exports as a result of preferential treatment extended to Mediterranean citrus producers.

A Gatt panel in November found that U.S oranges and lemons had suffered injury and recommended a reduction in the most favoured nation duty imposed on the U.S. products. However, the Community has been blocking adoption of the report by the Gatt council.

The Reagan Administration has decided to consider the case closed and to retaliate without the go-ahead of the Gatt. In public hearings on May 10 the office of the Trade Representative presented a list of 23 products under consideration for either higher duties or quotas and welcomed other suggestions. Three or four are to be selected with final recommendations going to the President by May 30.

The Trade Representative's list includes: Danish boned and cooked pork, UK and German candy, French onions and vegetables, Italian tomatoes and tomato paste and sauce, Dutch cabbage and tomatoes, and Greek vegetables.

In the view of Mr Donald M. Nelson, the Trade Representative's assistant for agricultural and commodity policy affairs, the Community's preferences to the Mediterranean countries are not consistent with the Gatt. The unsatisfactory dispute settlement process has run its course, he said and the U.S. is required by domestic law to impose its own settlement. Unlike the EEC, the U.S. received a waiver from the Gatt for the preferences it grants under its Caribbean basin initiative.

The EEC argues that it cannot accept the report because of the legal implications involved for other bilateral trade agreements.

Mrs Ella Krukoff, a spokesman for the EEC delegation in Washington, said the Community, by blocking the Gatt report, is following a precedent by the U.S. in a dispute over soya with Spain. However, a U.S. official said the U.S. objected to the soya report, convinced the Gatt council it was "wrong" but, in the end, accepted the recommundations.

Within the wider trade community there is fear that U.S. actions against EEC imports will bring retaliation by the EEC which could escalate to soyabeans and wine.

The President may still veto retaliation, but it has its supporters among other citrus producers and trade officials who say they were "naive" in trying for years to negotiate a bilateral agreement with the EEC and must act.

Belgian group to underwrite Ansbacher issue

By Alexander Nicoll in London

HENRY ANSBACHER, the UK-based merchant banking and insurance broking group, is to launch a £35m cash-raising exercise, considerably larger than was envisaged three months ago when the company extricated itself from a disastrous acquisition on Wall Street.

A rights issue to be announced this week will be underwritten by Groupe Pargesa/Bruxelles Lambert, a Swiss-Belgian financial conglomerate which injected £23.3m into the group a year ago when it took a 29.9 per cent stake.

GPBL, headed by the Belgian former steel chief Mr Albert Frère, will emerge with at least a 50 per cent holding as a result of the underwriting and adjustments to the conversion terms of £14.5m of loan stock. Its stake may be larger, depending on the extent to which other shareholders take up their rights.

The share issue was expected to be at 50p a share, compared with Friday's 60p closing price at which Ansbacher was capitalised at £22.4m.

In January, Ansbacher said the rights issue would total at least the sterling equivalent of $15m (£11.8m), slightly more than a $13.6m provision taken by the UK group as a result of its purchase and sale of Laidlaw, Adams and Peck, a New York securities firm.

Ansbacher acquired Laidlaw last September, agreeing to pay up to $10m. It planned a merger with its other U.S. interests, which include a successful mergers and acquisitions business. But by January, Laidlaw's losses were mounting and Ansbacher announced that the firm was being sold back to its original owners.

Mr Charles (now Lord) Williams resigned as Ansbacher's managing director and was replaced by Mr Richard Fenhalls, formerly of the merchant bank Guinness Mahon. A rationalisation has since been under way.

GPBL, whose other interests include Drexel Burnham Lambert of the U.S., Ste Industrielle de Banque of Paris and Paribas Suisse in Geneva, is thought to want to build up Ansbacher as a UK flagship.

THE LEX COLUMN

Balloon goes up for British Gas

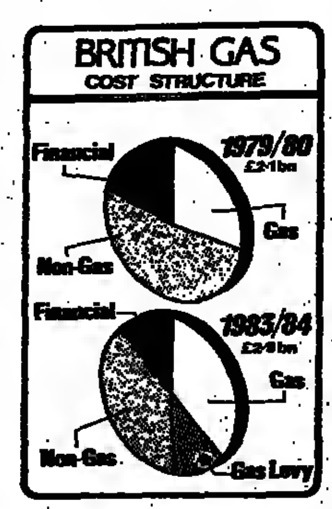
As befits its business and product, the British Gas Corporation is extremely sensitive about inflation and offers the world a peculiarly virulent example of Current Cost Accounting. All over the City of London, there are fresh-faced new adherents of CCA now scrambling for the favour of managing the corporation's offer for sale; but they are finding British Gas no easier to pin down than did the consultants of Deloitte's in 1983. More even than British Telecom at the same stage of its career, British Gas looks neither utility flesh nor growth stock fowl.

After a little hesitation, BT took off and now hovers round a prospective earnings multiple of nearly 16. British Gas has an even greater proportion of its assets under the feet of possible investors than BT; but it is hard to imagine anyone pushing the same sort of value-added networks down 60-year-old gas mains. Growth, therefore, may be more limited. British Gas looks very much like a pipeline utility and would be sold on a correspondingly higher yield and lower multiple.

It is not a business so far much concerned with profits, but its zeal for cash knows no bounds. As a corporation, British Gas has striven to plough this cash entirely back into its regulated business – among other means, by charging the full replacement cost of its assets to notional profit. But in 1983-84, the Exchequer still managed to touch British Gas for a £527m special tax known as the Gas Levy and £45m in those interest-bearing deposits called negative External Financing Limits. The corporation also has a 10-year loan of £300m outstanding to the Treasury.

Dividends

Private shareholders may not be so grasping. If British Gas PLC could go beyond paying its dividends and maintaining its assets, prospects might be more interesting. After all, British Gas did develop a useful business in a less-regulated field which now trades profitably as Enterprise Oil; and the corporation is all but debt-free. A private company, too, could surely make some money out of 900 gas showrooms in good sites. At both ends of the business – the North Sea and the retail operation – there



may be some disagreement with Sir Denis Rooke's insistence that British Gas is all of a piece.

Anyway, investors will need to know which bit of the business is doing what; and the accountancy profession must gird for an assault on their behalf – and in not less than division strength. The CCA accounts, while suited to maintaining the operating capacity of a business with long-life assets, do nothing to aid comparison of earnings in the market.

It would be pointless to strike a price based on a valuation of the corporation's assets. As British Gas itself seems to imply, a distribution network worth say £4bn at historic cost and about twice that in the accounts, would not offer much break-up value. Even in Mrs Thatcher's Britain, it is not easy to see a revival of private gas companies to take the assets in the piecemeal way assumed by such a valuation.

A more interesting comparison may be made with pipeline utilities in the U.S., which are effective monopolies in their regions and are regulated. These now trade on 8-10 times earnings – multiples that suggest the imminent attentions of a Mr T. Boone Pickens. British Gas will probably be bid-proofed from the outset, and would anyway command a price-earnings ratio in line with expectations of U.K. rather than U.S. population and economic growth. An historic cost £750m net profit in 1983-84, or a little over £1bn without the levy, would price the entire corporation in the market at £8bn or more.

Even this price could prove modest if British Gas were able to use its cash to diversify – preferably with more complete success than some U.S. equivalents. But the price must take account of two negative imponderables, fairly parcelled out between the Treasury and the Department of Energy.

British Gas is bound to argue that the Treasury levy cannot co-exist with dividend payments of £500-£600m a year at the expected yield. If the sale of state assets really is a political statement as well as a PSBR exercise, it is not obvious why a private British Gas should collect a consumption tax for the government. Equally, for all the Treasury's suspicion of financial management at debt-free state industries, British Gas has made some impressive cuts in its non-gas costs. It will strongly resist the imposition of large lumps of debt.

Yet the Treasury will scarcely content itself with Corporation Tax on a revenue source every bit as useful as BP. Though the price of gas supply has climbed steeply as old contracts wind down, British Gas is still paying a fraction of its overall 16p a therm average for old Southern Basin gas. Domestic consumers are paying 37p plus a standing charge. The Treasury could have some fun juggling three possible revenue streams: a levy, its take from the oil companies selling gas at higher prices and, just possibly, a residual shareholding.

Nobody knows quite what the Energy Department will do. Unlike BT, British Gas is bound to find itself closely regulated at both ends: limited on consumer gas prices, restricted in competition with other fuels and, possibly, open to Sleipner-style attacks on depletion policy as well. Although a company which is forced by its price regime to seek efficiency gains may show some earnings growth, that is not a very enticing recipe. It is, at least, more appealing than a maximum return of assets which would merely encourage magpie acquisitions.

British Gas may go so far as to claim that consumers, who financed the Morecambe Bay and Rough projects, should enjoy the flotation benefits pro rata to their gas bills. In that case, the sale of British Gas will be even more complex, as well as larger, than that of BT. And there is not much time.

Satellite launch costs likely to rise

Continued from Page 1

owner normally has to pay $7m to MaDonnell Douglas to pay for a separate motor to boost the craft to the right altitude.

Nasa says that, as the agency doubles its shuttle flight rate from the current level of 12 a year, operating costs will gradually fall by 1988 to around $87m.

As a result, assuming that the commercial charges stay the same, the difference between the cost of running the shuttle and the fees collected from customers would disappear.

If the charges went up, Nasa would make a profit, but at a price of scaring away customers. "It would adversely impact the notion of expanding commercial uses of space," says Mr Isaac Gillam, the agency's assistant administrator for commercialisation.

Other participants in the rocket business dispute Nasa's figures. Mr Dennis Ahearn, a spokesman for Transpace, accuses the agency of "phoney accounting." He says current shuttle costs come to $200m-$250m a flight.

For its part, Arianespace claims it operates virtually without subsidies. M Deschamps says the company pays a fee for use of the European Space Agency's rocket base in French Guiana which is less than true cost – but that this amount is very small compared with the support given to the shuttle.

Arianespace does not attempt to recoup the development cost for Ariane of about $750m, the bill for which was paid over a decade by European governments.

Last year, Arianespace, which is 59 per cent owned by French interests, made a small profit of FFr 10m for the seven months in which it was in commercial operation. That was on a turnover of FFr 700m, representing four satellites launched.

The first commercial Ariane launch was in May 1984 – previous flights were the responsibility of the European Space Agency.

This year Ariane is scheduled to put into orbit 10 or 11 satellites. Ariane's 13th lift-off was completed successfully earlier this month, putting into space a French Telecom satellite and a spacecraft for GTE of the U.S.

Ariane prices for satellites of about 1.2 tonnes are $25m to $30m. Rebates of about 10 per cent are, however, made for launches where Arianespace is in competition with the U.S. The price for a vehicle owned by Satellite Business Systems, a U.S. company, to be launched next year is believed to be about $24m.

Arianespace has to dig into its reserves for each flight to insure certain costs, and to cover the costs of investigations and clearing up in the case of accidents. The company believes it needs greater sums in hand to cover such eventualities, arguing that mishaps are "ineluctable" in the space business.

Eurasbank provisions up

BY RUPERT CORNWELL IN BONN

POSSIBLE LOSSES in the Far East have forced the Hamburg based European Asian Bank (Eurasbank), 60 per cent controlled by Deutsche Bank, to make special risk provisions of DM 400m ($129m) for last year. The sum is almost equal to the bank's current issued capital and reserves of DM 410m.

Confirmation of the extent of the bank's difficulties was given in the 1984 annual report by Herr Hans-Henning Offen, installed by Deutsche Bank as Eurasbank's new chief executive last March when two previous directors were removed from its three-man executive board.

Herr Offen said he hoped the bank could cope with its problems on its own, without drawing on the DM 300m standby made available by its owners. Apart from Deutsche Bank, these are Creditanstalt Bankverein of Austria (with 22 per cent), Amsterdam-Rotterdam Bank, and Société Générale de Banque of Belgium (9 per cent each). But uncertainties still existed over Eurasbank, which is active above all in Taiwan, Singapore and Hongkong.

In accounting terms, last year's business closed in balance, after a DM 20m profit reported for 1983. Total business rose 8.2 per cent to DM 11.6bn.

Argentine freeze

Continued from Page 1

In effect, however, the announcement of the weekend measures represent a significant departure in the public strategy of the government. Central bank officials had been insisting that the situation was well under control, following the liquidation of the Banco de Italia y Rio de la Plata.

There are as yet no official figures on the total amount of money that may have been withdrawn from the system over the last week, or the monetary expansion implied by the "safety net" of special advances which the central bank introduced on a preliminary basis last week.

However, according to some banking sources savers may have withdrawn as much as $300m thus adding to the capital flight which has continued since the Falklands war in 1982. The estimated $700m in foreign currency deposits, which are believed to have existed just before Banco de Italia y Rio de la Plata's collapse, compares with over $20bn, held by Argentines in foreign bank accounts.

Over the last week, the central bank has been forced to step in with emergency lines of credit to help banks which find themselves unable to pay out fixed term deposits falling due and which are not covered by guarantee.

Bankers expect the next few days will be critical in determining whether the weekend measures restore stability in the system, or undermine public confidence still further. The latter could stimulate a run on peso deposits which are guaranteed by the central bank and which constitute about 80 per cent of total deposits of the system.

Argentina's potentially most serious banking crisis since the collapse of the Banco Intercambio Regional in 1980 is expected to lead to a further setback in the renegotiation of some $20bn worth of foreign debt.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Dubrovnik	S	24	75	Malaga	S	21	70	Salzburg	F	18	64
Akrotiri	S	26	79	Faro	S	28	82	Malta	S	25	77	Seoul	D	17	63
Algiers	T	23	73	Florence	F	20	68	Manila	S	35	95	Singapore	R	26	79
Amsterdam	S	22	72	Frankfurt	C	18	64	Miami	C	32	90	Stockholm	S	19	66
Athens	S	27	81	Funchal	C	17	63	Milan	C	22	72	Strasbourg	F	[illegible]	[illegible]
Bahrain	S	34	93	Geneva	R	19	66	Moscow	F	9	48	Sydney	R	13	55
Bangkok	S	34	93	Gibraltar	C	19	66	Munich	F	17	63	Taipei	S	32	90
Barcelona	F	17	63	Guernsey	S	15	59	Nairobi	F	24	75	Tangier	F	22	72
Beirut	S	24	75	Helsinki	S	16	61	Naples	C	29	84	Tehran	—	—	—
Belgrade	F	24	75	H. Kong	S	31	88	New Delhi	S	43	109	Tel Aviv	S	30	86
Berlin	S	[illegible]	[illegible]	Innsbruck	F	23	73	New York	S	25	77	Tenerife	C	18	64
Biarritz	C	18	64	Inverness	R	8	46	Nice	S	18	64	Tokyo	F	22	72
Blackpool	S	11	52	Istanbul	S	23	73	Oporto	R	18	64	Toronto	C	5	41
Bordeaux	C	15	59	Jersey	C	17	63	Oslo	S	19	66	Tunis	S	25	77
Brussels	F	19	66	Jo'burg	F	18	64	Paris	F	19	66	Valencia	S	20	68
Budapest	F	18	64	Las Palmas	F	22	72	Prague	S	21	70	Venice	S	20	68
B. Aires	R	18	64	Lima	S	22	72	Reykjavik	C	11	52	Vienna	D	15	59
Cairo	S	36	97	Lisbon	R	23	73	Rio de J'o	S	32	90	Warsaw	S	19	66
Cape Town	S	21	70	Locarno	F	17	63	Rome	F	24	75	Zurich	R	21	70
Caracas	S	26	79	London	C	13	55								
Casablanca	C	20	68	Los Angeles	C	15	59								
Copenhagen	S	17	63	Luxembourg	F	17	63								
Corfu	R	28	82	Madrid	S	19	66								
Dublin	R	9	48	Majorca	C	17	63								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Thatcher backs use of veto

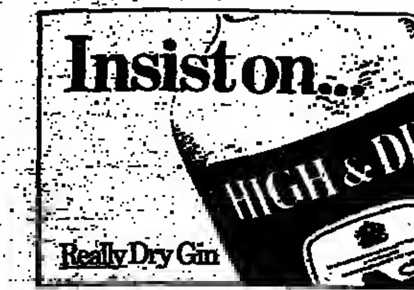
Continued from Page 1

gar, tobacco and wine, the price decisions reached in Brussels were much better than could have been hoped for only a year ago.

Mrs Thatcher apparently feels it to be more important to underline Britain's support for the principle of the national veto than its disappointment with the way the discussions on cereal prices have been going. "We are by no means devastated by what has happened in Brussels," one official said.

Mrs Thatcher and Herr Kohl also discussed President Ronald Reagan's Strategic Defence Initiative, or star wars, with the West German Chancellor expressing some of his Government's reservations on the project.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd., 1985.



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday May 20 1985

Canadian borrower bypasses the banks

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

DO TOP grade borrowers in the Euromarkets need commercial banks any more? This was one question being asked last week in the wake of an announcement from Canada's Export Development Corporation (EDC) that it is to start issuing unlimited amounts of Euro-commercial paper from today.

The paper will not be underwritten; nor will the programme be accompanied by any form of standby credit. In other words EDC feels its own rating and the basic demand from non-bank investors for short-term dollar securities are both strong enough to allow it to dispense with commercial bank support altogether.

This move struck a chord in a week which also saw the launch of a $250m Euro-commercial paper programme from PKbanken, which is being arranged by Citicorp, Merrill Lynch and PK Christiania. Like the EDC programme, this issue carries no commercial bank back-up at all.

Investor interest in Euro-commercial paper seems to be growing, particularly in Switzerland where there is a demand for high-grade short-term dollar assets. As U.S. commercial paper market rates have risen close to those prevailing on the Euromarket, more borrowers are also interested in raising funds in this way. As they do so, more and more are now clearly questioning the need for bank back-up facilities.

It would be cruel to suggest that this means the Euronote issuance facility which many banks have spent a long time perfecting is simply a staging post in an evolutionary process towards a short-term paper market in which banks have no role except as dealers and distributors of securities.

The bank back-up facility which is an integral part of a Euronote deal still has an important role to play. Sovereign borrowers need the assurance of knowing, for example, that money will be available to them over the medium term and a bank back-up provides just this type of insurance.

But some bankers now concede that the arrangement of backstops does not necessarily have to be directly coupled to a Euronote facility or commercial paper programme. At the same time the knowledge that they could tap the paper market on their own is bound to cause top-grade borrowers to resist upward pressure on facility fees, even if planned regulatory changes by central banks push up the cost to banks of providing standby credits.

It may well be resignation on this score that has prompted so many banks to pile into the $400m facility for Electricité de France, which has collected $900m worth of commitments from the market despite its low 6¼ basis point fee. The deal is to be increased to between $600m and $800m. Merrill Lynch also reports a spectacular success for its more generously priced $600m facility for Deere, the U.S. farm equipment maker which has been raised to $1.3bn.

As expected, Czechoslovakia has meanwhile won very fine terms on its first Eurocredit since 1983. It is raising $100m over eight years with a deal led by Crédit Commercial de France on which it will pay a margin over Eurodollar rates of ¼ per cent for the first two years rising to ⅜ per cent thereafter. The borrower's rare name and its record for tight debt management have clearly paid off. But the terms on the deal left last week's other East European credit, a $200m borrowing for East Germany, looking distinctly generous. It is paying ¾ per cent over Eurodollars or ⅝ per cent over prime.

The inclusion of a floating rate note option in the $200m Euronote facility for Danish Export Finance helped the deal to an honourable close last week. Several underwriters, who had earlier been resisting the operation, are expected to use the option to convert their note underwriting obligation into commitments to a floating rate note.

American Savings' outflow continues

By William Hall in New York

AMERICAN Savings and Loan, the biggest U.S. savings bank, lost $1.1bn of its deposits last month, the third month in a row that it has suffered a deposit outflow.

The steady decline in the deposits of the bank, which reported losses of close to $600m in 1984 is likely to add to the concern of the U.S. authorities about the growing crisis of confidence in the savings bank industry.

Over the last two months, the authorities have been forced to step in and calm nervous customers following sizeable runs on deposits of small savings banks in the states of Ohio and Maryland.

While few depositors have lost any money, they have found it more difficult to make withdrawals and this is leading to a steady switch of deposits out of savings banks and into less risky commercial banks.

Although the U.S. Federal Reserve did not include the recent problems among the savings banks for its decision to cut the discount rate last Friday, many observers on Wall Street believe the U.S. authorities are more concerned than they admit about the escalating problems in the thrift industry.

American Savings says that many high-cost deposits were not renewed after it decided to cut its interest rates. It also said depositors had been withdrawing funds to pay their taxes.

American Savings' parent, Financial Corporation of America, disclosed the deposit outflow in a filing with the U.S. Securities and Exchange Commission. Its total deposits have fallen from $20.3bn at the end of 1984 to $17.7bn at the end of April.

INTERNATIONAL BONDS

Fixed rate deals back in fashion

BY MAGGIE URRY IN LONDON

WITH the Eurobond market still strong last week, syndicate managers and secondary market traders had a hectic time. By Thursday most were glad that the Ascension Day holiday across Europe meant a quiet end to the week.

Australia caught the mood of the market on Monday, launching a $300m two-tranche issue led by Deutsche Bank. The timing proved perfect and by the end of the week both tranches were offered at par.

Other fixed rate deals followed, some good, some not so good. But many new issue managers had expected even more and suggested that borrowers were hoping for even lower interest rates before committing themselves. It should not take long, if the rally continues, to reach the point where they will.

Syndicate managers had time for innovation though. Goldman Sachs brought the idea of the shelf registration to the Eurobond market with a $100m deal for Swedish Export Credit (SEK). This has a $400m tap attached, allowing SEK to make further issues without the time and expense needed to go through the whole performance of syndicating a deal again. It also gives SEK great flexibility in being able to issue amounts of only a few million dollars according to its financing needs.

A partly-paid zero-coupon bond issue must be an investor's dream, offering a double ration of gearing. American Express produced just such a delight, and with only $4.50 payable at the outset – the rest is due on December 12 – the bonds traded above that level.

The floating rate note market is not in as good shape as the fixed rate sector. National Westminster's perpetual duly arrived and at $1bn may have absorbed a large part of the remaining demand for such paper. Kleinwort Benson brought out a more modest $100m issue on Friday, offering a juicier ⅛ per cent spread over London interbank offered rate. But the less well known name meant its reception was not quite so warm and it traded around 99.51, compared to front end fees of 75 basis points.

A flurry of activity on Friday afternoon was caused by the rating of Midland Bank's perpetual as BBB+ by Standard & Poor's. Once traders realised that this was not a downgrading of Midland in general, the bonds recovered to a level of 99.70 bid, with a little help from lead manager Samuel Montagu, down from 99.83. However, the incident does beg the question of whether perpetual debt without a top grade rating should be sold on such relatively fine terms.

New issue activity in the other currency sectors of the Eurobond market has remained high, with deals coming in a wide range of markets. Many of the smaller and newer sectors – such as Norwegian krone and French francs – seem to guarantee issuers success.

Expected around the middle of this week is the Bank of China's first Eurobond issue – a DM 150m, seven year deal to be led by Deutsche Bank.

In Switzerland, the Swiss National Bank has lifted the remaining restriction on foreign public bond issues which can now be for sums in excess of SwFr 200m. Syndicate managers felt, however, that market demand could provide an equally strong restriction on issue size.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,234.0	63.2	2,109.8	99.0
Prev	1,088.2	148.5	3,994.7	91.0
Other	1,020.6	6.1	391.0	2.4
Prev	1,149.9	143.1	129.8	29.5
Secondary Market				
U.S.$	14,760.6	594.1	10,082.4	1,328.4
Prev	14,357.6	581.2	10,178.2	1,768.9
Other	3,082.9	104.9	554.9	1,042.5
Prev	2,503.8	41.7	645.5	1,179.1

	Cedel	Euroclear	Total
U.S.$	9,434.7	21,824.9	31,259.6
Prev	9,882.3	22,326.2	32,208.5
Other	3,261.7	2,948.7	6,210.4
Prev	2,779.1	2,743.8	5,022.9

Week to May 16, 1985 — Source: AIBD

Banque Gutzwiller decided to postpone the two-tranche issue for Ferrovie dello Stato, the Italian state railway, until changes in the law regarding the administrative proceedings for loans to the borrower are published.

International bond issues, Page 16

Problems of controlling a moving game

THE EUROBOND new issue business is a river of constant change which flows ever faster. Last week's recommendations from the new International Primary Market Association (IPMA) attempt to give lead managers and their syndicate members some standards to work by. In some cases it may mean book runners telling co-managers that IPMA guidelines will not apply to a particular issue – but at least then the managers will know which method is being adopted.

The new guidelines could themselves spark changes in the way business is done in this rapidly expanding and very competitive market. These days the bought deal – where the lead manager of an issue guarantees terms to the borrower and then goes about syndicating the issue – is common throughout the Eurobond market.

Bankers trying to break into the market may, in a round of competitive bidding, promise a borrower terms tighter than market conditions really justify. Then the winning book runner must persuade other banks to share the risk of the deal failing and the bonds being sold at a loss. Under the IPMA-recommended way of running an issue, lead managers may be deterred from making such over-aggressive bids.

Co-managers in such deals have sometimes seen their fees wiped out, either as they have themselves sold bonds at a loss, or because the book runner has bought bonds back in an attempt to support the price and then charged the resulting losses against the co-managers' fees.

Under the new IPMA recommendations, co-managers could be liable to lose only their underwriting fees as a result of stabilisation activity by the book runner. That would total ⅜ per cent of the issue's value on a typical five to seven-year fixed rate Eurodollar deal.

Further, the recommendations say that book runners should indulge in stabilisation only to serve towards an orderly distribution of the bonds. Some book runners have used the stabilisation account, says Mr Hans-Joerg Rudloff of IPMA and Credit Suisse First Boston, to keep a price at an unrealistic level in order to prove that the bid was realistic, or to show the borrower that the deal is selling well. As a result the stabilisation account could have become a big trading account – with the trader using other people's money.

When the book runner has to bear the cost of excessive support of a deal, the incentive to price the issue correctly in the first place is much higher.

Meanwhile some of the major houses in the market – such as CSFB and Deutsche Bank – have been keeping co-management groups for some issues deliberately small. By inviting only a few banks into the deal, the book runner can keep much tighter control over the issue

Harvester picks up in second quarter

By Paul Taylor in New York

INTERNATIONAL Harvester, the hard pressed U.S. commercial vehicle manufacturer which recently sold off its farm equipment division to Tenneco, achieved a $31m net operating profit in the quarter ending April 30, buoyed by a 7 per cent increase in shipments of medium and heavy-duty trucks and diesel engines.

The operating profit, equivalent to 21 cents a share, compares to net earnings from continuing operations of $22m or 14 cents a share in the fiscal first quarter and $31m or 24 cents a share in the year ago period on sales which increased to $915m in the latest period from $857m a year ago.

A $28m tax credit lifted net earnings to $59m or 42 cents a share compared to a net loss of $1m in the year ago period, when there was a $55m loss from discontinued operations and extraordinary income of $23m.

Mr Donald Lennox, chairman and chief executive, said moderate industry order activity for heavy trucks indicates that demand for the second half of fiscal 1985 could fall below last year's level. But he added that strong demand in the first half could bring the full year above 1984's levels.

For the fiscal first half Harvester reported net earnings from continuing operations of $53m or 34 cents a share compared to $26m or 16 cents a share a year earlier. Sales increased to $1.76bn from $1.53bn.

The group recently won amendments to its loan agreements from its lenders made necessary because the sale of the farm equipment business gave the company a negative net worth of $175m. It reported a first-half net loss of $475m, reflecting a $576m loss on discontinued operations, partly offset by a $48m tax credit.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Pirelli reshapes debt to lure foreigners

ALTHOUGH it is Italy's leading tyre and cables company and a major force in the world market (with 1984 sales of $3.4bn), Pirelli has rarely approached the Eurobond market for funds. The reason is simple: until recently Italian corporate names were not the type to fire the imagination of lead managers or their ultimate targets, whether they be institutional investors or tha famed Belgian dentists and Swiss gnomes.

But Pirelli announced last week that it is to restructure a significant portion of its $1.1bn aggregated total debt. The Milan-based gronp is to achieve this through the issue of L500bn ($252m) of bonds and shares. Around L300bn of the issues are to be launched as Eurobonds convertible into Italian and Swiss shares, which is itself an unusual development.

The plan to launch Eurobonds convertibla into shares in Pirelli SpA, the Italian holding company which controls 46 per cent of worldwida operations, is an event in itself. It is believed to be the first time an Italian corporate borrower has assumed there is interest on the part of foreign investors in Eurobonds convertible into Italian equities.

The assumption of interest is, however, more than reasonable. Foreign interest in the Milan bourse has increased dramatically in recent months, with significant purchases by U.S., British, West German and Japanese institutional investors. The share price average on the Milan bourse rose by a staggering 10 per cent last week alone, following regional elections which reinforced the five-party coalition of Prime Minister Bettino Craxi.

Mr Hans-Joerg Rudolf, the Eurobond maestro who is depnty chairman of Credit Suisse First Boston (CSFB) the expected lead-manager of the Pirelli Eurodollar bond, agrees with Pirelli's assessment that the type of issue now under discussion would have been unthinkable 12 months ago. "Italy's credit rating has improved greatly over the past year and as far as Italian private companies are concerned, there is a different perception from the past in the market. The companies have profonndly improved their balance sheets and hava a more international outlook," he comments.

The Pirelli debt restructuring will involve the issue of L103bn of bonds on the Italian domestic market, L100bn worth of shares on the Swiss market (in the name of Societe Internationale Pirelli the Swiss holding company which also controls 46 per cent of Pirelli worldwide) and the balance in Europaper, probably in Eurodollars, Swiss francs and D-marks.

At present roughly 55 per cent of Pirelli's $1.1bn of debt is short-term. After the restructuring this proportion should be closer to 40 per cent. Similarly at present a tenth of Pirelli's total debt is in securities and the rest made up of bank loans; following the capital issues, something like 28 per cent of total debt will be in securities. These calculations exclude a further $350m of debt, largely in bonds, held by the Italian and Swiss holding companies: the Pirelli group structure (with the parents holding 46 per cent each and another Swiss company holding 8 per cent) does not permit consolidation.

Dr Jacopo Vittorelli, managing director of both Pirelli holding companies, says the L500bn exercise will be the gronp's largest single financial operation and its most "mnltinational." He says discussion of the plan between Pirelli and its bankers in Switzerland (Swiss Bank Corporation), London (CSFB) and Milan (Mediobanca) began more than three months ago.

"We wanted to restructure the financial position of a number of affiliated operating companies," Dr Vittorelli explains. Given that Pirelli's total shareholders' funds represent 1¼ times the size of its total debt, and with 1984 net profits doubled to $70m the group would seem to be acting at the right time.

There is little doubt that the idea of shifting much of Pirelli's short-term debt into seven- to 15-year bonds makes sense. Dr Vittorelli reckons the saving on interest charges could be around $75m over the next 10 years. Now all that remains is for the market to pass judgment.

Alan Friedman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Canon §‡	100	2000	15	3	100	Nomura Int.	3.000
American Gen. Corp. §‡	300	2000	15	5⅞	100	CSFB	5.875
Nat. West. ‡†(b)	1bn	—	—	¼	100	County Bank	—
Australia †	200	1995	10	11	100	Deutsche Bank	11.000
Australia †	100	2000	15	11¼	100	Deutsche Bank	11.250
GMAC †	200	1989	4	10¼	100	Merrill Lynch	10.250
Ryobi Ltd. ¶	30	1990	5	8¼	100	Yamaichi Int.	•
Casio §	100	2000	15	3	100	Daiwa Europe	•
Bank of Tokyo ‡	100	1995	10	11¼	101¾	Bank of Tokyo Int.	10.953
SoCal Edison ‡	100	1992	7	11	100¼	CSFB	10.947
Tenneco Corp. ‡(c)	150	1990	5	10¾	100¼	Morgan Stanley	10.683
American Express ‡ɸ	151	2000	15	11⅝	100	Salomon Bros.	11.625
American Express ‡ɸ	450	2000	15	8	10.87	Lehman Bros.	11.700
Sweden ‡†(d)	750	2000	15	³⁄₁₆	100	CSFB	—
Swedish Export Credit ‡(e)	100	1992	7	10	95	Goldman Sachs	11.063
Axxs †(a)‡	70	1995	10	⅛	100	Merrill Lynch	—
DFC Finance ‡	100	1995	10	11	100	CSFB	11.000
Kleinwort Benson Lonsdale †●‡	100	—	—	⅛	100	CSFB	•
NEW ZEALAND DOLLARS							
Rural Banking & Fin. ‡	25	1990	5	16¼	99¾	Bqe. Gutzwiller, K.B.	16.327
D-MARKS							
World Bank ‡**	200	1991	6	7⅛	99¾	Bayerische Landesbank	7.178
SWISS FRANCS							
American Medical ∥	200 max	1997	—	(5)	•	Soditic	•
Ferrovie d'Stato	100		postponed			Bqe Gutzwiller, K.B.	
Yokohama Rubber ¶‡	50	1990	—	3⅜	100	Banque Paribas	3.375
Nakabayashi **‡	30	1990	—	5¾	100	SBC	5.750
Continental Health §	50 max	1995	—	(6)	•	Bqe Gutzwiller, K.B.	•
Sweden **‡	300	1990	—	5½	100	UBS	5.500
Sweden ‡	150	1995	—	5⅝	100	UBS	5.625
Minebea Co. ¶	120	1993	—	(3⅝)	•	Credit Suisse	•
Ireland *	100	1997	—	(5⅞)	•	SBC	•
DANISH KRONER							
World Bank ‡	200	1992	7	11⅝	100	Sparekassen SDS	11.625
ECUs							
BAC-CDG Savings Bk *	28.5	1993	8	9¾	•	Kredietbank Int.	•
Kansallis-Osake ‡	50	1992	7	9⅜	100	Banque Paribas	9.375
World Bank ‡	50	1995	10	9⅜	100	San Paolo Bank	9.375
GUILDERS							
EIB*	200	2000	10½	8	101	Amro	7.884
Asian Dev. Bank ‡	200	2000	10½	7¾	99½	ABN	7.847
NORWEGIAN KRONE							
SAS ‡	250	1993	8	10¾	100¼	Christiania Bank	10.678
YEN							
Korea Elec. Power ‡	25bn	1995	9	7.3	99.50	Daiwa Secs.	7.372
CANADIAN DOLLARS							
Loblaw ‡	50	1992	7	11⅝	100	Orion Royal Bank	11.625
AUSTRALIAN DOLLARS							
ANZ Bank ‡	40	1992	7	13½	100¼	Orion Royal Bank	13.443
STERLING							
Korea Exchange Bank †(f)‡	50	1995	10	¼	100	S.G. Warburg	—
FRENCH FRANCS							
Rhone Poulenc ‡	450	1991	6	11⅜	100	BNP	11.375

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With warrants. ∥ Dual-Currency. (a) ⅛ over 6m Libor. (b) ¼ over 6m Libor. (c) Extendable to 1995. ɸ Partly paid. (d) ³⁄₁₆ over 6m Libid. (e) Additional tap of $400m. (f) ¼ over 5m Libor. ● ⅛ over 6m Libor. Note: Yields are calculated on AIBD basis.

Steinberg buys into Frank Hall

BY TERRY DODSWORTH IN NEW YORK

MR SAUL STEINBERG, the U.S. financier, has concluded a $65m deal which will give his Reliance Group Holdings insurance business a substantial interest in Frank B. Hall, the U.S. insurance broking group.

As part of the agreement, Mr Steinberg has taken a seat on the board of Hall, which had net losses last year of $14.5m, or $1.15 a share.

Mr Steinberg, who first rose to prominence as a shrewd investor in undervalued stocks, acquired a holding in Hall about two years ago with a stake of 9 per cent. His latest purchase of 1.85m shares takes his holding to 20 per cent, and he has also acquired $25m worth of subordinated exchangeable variable notes due in 1994 for an aggregate price of $25m.

Two transactions have been undergoing regulatory approval since late last year. "He has taken these shares as an investment because he believes that the turn in the insurance cycle is at hand," said a company official.

The debt acquisition came as part of a $74.8m issue by Hall aimed at improving its capital stucture and liquidity and positioning it to benefit from the anticipated upturn in the insurance industry.

Hall has recently committed itself more exclusively to the broking business by pulling out of underwriting altogether. In the first quarter of this year it achieved net income of $2m, or 16 cents a share.

Reliance Group, which has interests in real estate development, petroleum distribution and management services, as well as insurance, earned $47.5m last year.

LTV reshaping may presage spin-off

BY PAUL TAYLOR IN NEW YORK

THE reorganisation announced last week by LTV, the U.S. steelmaker, involves the indefinite closure of a major steel mill resulting in the loss of 1,300 jobs and a $400m charge against earnings, the restructuring of the group's steel operations into three separate units, and a new divestiture and joint venture programme aimed at generating $500m over the next 18 months.

LTV said the moves were designed to strengthen its steel operations, improve its financial position and bolster its fight against a "flood of steel imports." They were seen on Wall Street as a possible prelude to the spin-off of one or more of the new steel units.

Last year LTV, which also has substantial aerospace and energy operations, reported a $378.2m loss on sales of $7bn. After taking over Republic Steel, it posted a $156.4m loss on sales of $2bn in the 1985 first quarter.

Mr Raymond Hay, chairman and chief executive, said the three-point reorganisation programme should improve cash flow by about $700m over the next two years, strengthen the balance sheet, maintain liquidity and provide funds for growth.

Switzerland lifts bond issue ceiling

BY JOHN WICKS IN ZURICH

THE Swiss National Bank has lifted its SwFr 200m ($77m) ceiling on individual public bond issues by foreign borrowers as a further step in the liberalisation of the Swiss capital market. At the start of last year, the maximum was doubled from SwFr 100m.

Following the earlier move, the total new money raised through foreign bond issues in Switzerland rose during 1984 from SwFr 10.26bn to a record of SwFr 11.15bn. Growth continued in the first quarter of this year—the figure of SwFr 3.83bn being 19 per cent above that for January-March 1984.

The SwFr 200m limit had long been considered an anachronism in Switzerland, particularly since there was no ceiling on the size of medium-term notes. These so-called private placements overlap with public bond issues, in that their maximum maturity is eight years—the same as the minimum life of a public bond.

In the past year, a number of foreign borrowers (including governments) have wanted to float Swiss franc bond issues of over SwFr 200m, but the ceiling has sent them either to the Swiss notes market or abroad.

The interest of borrowers in large bond issues is shown by tha fact that in the first quarter of 1985 alone there were six SwFr 200m transactions.

Bankers point out that an additional reason for the scrapping of the SwFr 200m limit seems to lie in tha increased capital market liberalisation measures in West Germany.

Pernod Ricard in Heublein link

PERNOD RICARD, the French spirits and soft drink group, and Heublein, the U.S. spirits and speciality food concern, have announced a worldwide sales and financial link-up intended to boost market share of their products, *writes David Housego in Paris.*

Under the agreement Pernod Ricard, world leader in the sale of aniseed-based spirits, will transfer U.S. distribution of Pernod, of Wild Turkey whisky produced by its U.S. Austin Nichols subsidiary, and of Bisquit brandy to Heublein. Heublein, controlled by R. J. Reynolds, the cigarette manufacturer.

Heublein is taking a 30 per cent stake in a new subsidiary of Austin Nichols, which will control the production, ageing and stocks of its bourbon whisky.

Pernod Richard will distribute in Europe a range of cocktail drinks under licence from Heublein.

Financial Times – delivered by hand in your city in the USA?

Atlanta, Boston, Chicago, Detroit, Houston, Los Angeles, Mexico City, Miami, Montreal, New York, Philadelphia, Pittsburgh, San Francisco, Seattle, Toronto, Vancouver, Washington.

For details contact:

Financial Times (Europe) Ltd., Guiolettstrasse 54, 6000 Frankfurt/Main 1, West Germany. Tel: (069) 75980. Telex: 416193.

Financial Times, 14 East 60th Street, New York, NY 10022. Tel: 752-4500 Telex: 238409 FTOL UI.

U.S. MONEY AND CREDIT

Fed's surprise creates a new climate

THE U.S. Federal Reserve Board's decision late on Friday to cut the discount rate by half a percentage point to 7.5 per cent, its lowest level in almost seven years, is a hold move designed to reinvigorate a flagging economy. The Fed's timing caught Wall Street by surprise, yet it provided a fitting climax to a busy week.

U.S. interest rates dropped last week to their lowest levels for years, bond prices rose to new heights, spurred by heavy retail buying and Congress edged towards a budget deficit reduction package, while bank regulators grappled with the Maryland savings bank crisis and economists pawed over the latest (weak) economic numbers.

The discount rate cut, which followed the previous half point reduction on December 21, brought the rate to its lowest level since August 1978, when it stood at 7.25 per cent.

Ahead of the latest move, U.S. money market rates had already dropped substantially, prompting Bankers Trust to cut its prime lending rate by half a percentage point to 10 per cent on Wednesday, the lowest level since October 1978. Immediately after the Fed action, two other big banks, Citicorp and Chase Manhattan, made a similar cut. The other large banks are expected to follow suit today.

Virtually all short-term rates are now at or near their cyclical lows. Treasury bill rates, which fell by 20-45 basis points last week, have been given an additional push by concern about the continuing problems of some U.S. financial institutions, particularly the savings banks.

But long-term yields have also come tumbling down, helped by the recent bull bond market rally and by what one Wall Street investment bank called "the most active retail market in the past two years." Speculation about an imminent Fed easing was boosted last week by the 0.2 per cent decline in March industrial production.

By the close on Friday, following the discount rate cut, the Treasury long bond yield had crashed through the 11 per cent "resistance level" to 10.91 per cent, compared with 11.25 per cent four weeks ago.

As is customary, the Fed noted the declining trend in market rates in announcing the discount rate cut. But, as the Fed's unusually lengthy statement accompanying the cut made clear, other factors were uppermost in Fed governors' minds—most crucially, the recent sluggish performance of the U.S. economy.

The statement said the action was taken "against the background of relatively unchanged output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar."

The Fed also noted the recent subdued pace of inflation and the fact that "sensitive commodity prices are generally at their lowest levels in about two years."

For Wall Street the Fed's action, and its surprise timing, confirmed the market's belief that sustaining the economic recovery has become priority.

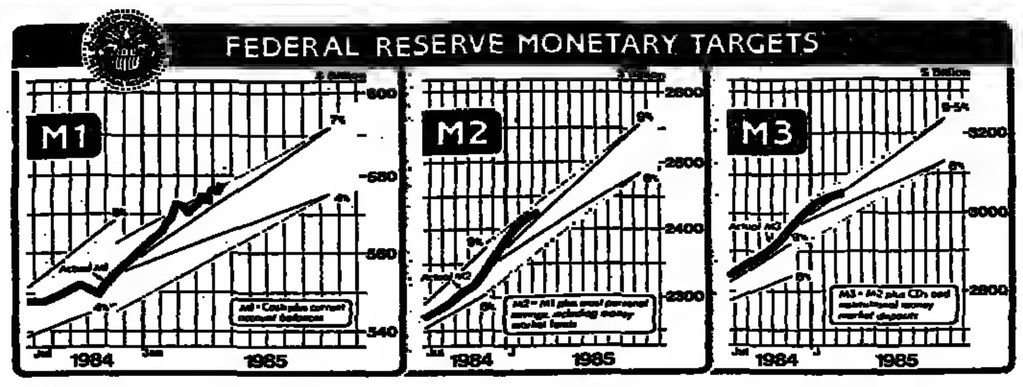
Many on Wall Street had expected the Fed to delay any discount rate cut until later this week, after the first quarter gross national product revision is released and after a meeting of the policy-making Federal Open Market Committee tomorrow.

In any event the "pre-emptive strike" by the Fed removes the FOMC meeting as a focus of market attention. The meeting is expected to rubber-stamp an easing move already apparent in the banking numbers—figures which also reflect the hefty liquidity demands of the troubled Maryland savings banks.

Instead, the markets will be adjusting to the new climate. Riding on the back of the government market, corporate bond prices also soared last week, gaining between ¾ and 1¾ points. New issue yield levels fell by 25 to 38 basis points.

Reflecting this more than $2.4bn in new corporate issues were brought to market last week. Among the issues, International Business Machines (IBM) sold $250m of three-year notes to yield 9.8 per cent—the first single-digit straight corporate bond for two years.

Paul Taylor



U.S. MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.12	7.98	8.06	11.77	7.82
Three-month Treasury bills	7.41	7.74	7.79	10.77	7.37
Six-month Treasury bills	7.60	7.89	7.98	10.83	7.54
Three-month prime CDs	7.96	8.12	8.25	11.90	7.96
30-day Commercial Paper	7.85	8.00	8.00	11.38	7.85
90-day Commercial Paper	8.05	8.00	8.05	11.40	7.90

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	106	+ 2	10.51	10.90	11.05
20-year Treasury	102⅛	+ 1⅞	11.02	11.30	11.48
30-year Treasury	102⅞	+ 1⅞	10.91	11.20	11.26
New 10-year "A" Financial	n.a.	+ 2⅛	11.50	11.75	11.70
New "AA" Long utility	n.a.	+ 2	12.00	12.25	12.25
New "AA" Long industrial	n.a.	+ 2	11.75	12.00	11.95

Source: Salomon Bros (estimates).

Money supply: In the week ended May 8 M1 rose by $2.1bn to $577.6bn

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	100	102⅛	+0⅛	11.33
AIOC 11 89	75	101⅛	+1⅛	10.49
AIOC 11⅞ 90	100	101¾	+1⅛	11.35
Amer Savings 12 89	125	101⅛	+0⅛	11.43
Amer Savings 12¾ 89	100	102⅜	+0⅜	11.47
Asian Dev Bk 11¼ 93	100	101¾	+0⅜	11.39
Australia 11⅛ 90	100	103⅜	+1½	10.37
Australia 11⅛ 95	300	103¾	+0¾	10.94
Australia 11⅜ 95	100	103½	+1⅛	11.09
Austria 16⅜ 86	75	111⅜	+1	10.45
Avco Fin 13¼ 91	100	104⅜	+0⅛	12.11
Bk Nova Scotia 13⅜ 87	100	105½	0	10.59
Bank of Tokyo 12⅜ 92	100	103⅜	+0⅜	11.65
Bank of Tokyo 13⅝ 91	100	108⅛	+1⅛	11.51
Bank of Tokyo 13⅞ 89	100	108⅝	+1⅛	11.07
Bergen Bank 11⅛ 90	75	98⅜	+0⅜	11.87
BP Capital 11⅛ 92	150	100⅝	+1⅛	11.07
Br Col Hydro 11¾ 93	200	104¼	+1⅛	10.92
Br Col Hydro 12½ 14	200	105½	+2⅜	12.22
Br Col Hydro 12½ 15	250	105¼	+2⅜	12.20
Britoil Fin 11⅛ 90	125	102	+1	11.32
Caisse Nat En 11⅛ 95	125	102	+1½	11.38
Canada 10⅞ 88	500	102⅜	+1⅛	9.89
Casio Computer 5⅞ 88	80	114	+1	2.03
CBS Inc 11⅛ 92	100	102	+2⅜	10.95
Centrust S. & L. 10 0	1bn	5⅜	+0⅜	12.33
Chesebrough 12 93	100	100½	+1	11.94
Chrysler Fin 13¼ 94	150	104¼	+1	12.34
Citicorp O/S 10¼ 90	100	97½	+1⅛	11.00
Citicorp 11⅜ 90	100	102⅜	+0⅞	11.07
Citicorp 11¾ 92	100	100⅞	+1⅜	11.53
Citicorp O/S 11⅜ 90	200	99⅝	−0⅜	11.97
Citicorp O/S 14 94	100	102¼	+0¼	13.44
CNCA 11⅛ 92	125	100⅞	+1⅛	11.30
CNCA 13¼ 91	100	107⅜	+1⅛	11.37
Coastled Int 12¾ 96	125	108¼	+0⅜	10.97
Coca-Cola 11⅛ 89	100	103⅜	+1	10.06
Corso Bancaire 13⅞ 90	75	108¼	+1⅛	11.62
Comsat 12⅜ 91	100	100⅜	0	12.06
Creditanstalt 13⅜ 91	100	106⅞	+1⅛	11.48
Dai-Ichi Kangyo 12¼ 90	100	103⅞	+1⅛	11.22
Denmark 10⅞ 90	100	97⅝	+1	11.52
Denmark 11⅛ 92	100	99⅜	+0⅜	11.57
Denmark 12⅜ 92	250	101⅛	+0⅛	12.33
Denmark 13 92	100	103	+0⅜	12.38
Denmark 13¼ 91	100	107½	+1⅜	11.48
Denmark 13⅞ 89	100	107⅝	+0⅝	10.91
Denmark 14 91	100	108⅝	+0⅜	11.81
Digital Equip 11⅛ 89	150	103⅛	+0⅞	10.69
Dutch StMines 11⅛ 91	190	99⅜	+0⅜	11.41
Eksportfinans 11⅛ 92	100	99⅝	+1⅛	11.32
Eksportfinans 11⅛ 90	100	101½	+1⅛	11.08
Elec de France 11⅛ 93	100	99½	+1⅛	11.22
Elec de France 12¾ 87	150	105⅛	+0⅜	10.20
EEC 11 87	350	101¾	+0⅜	10.02
EEC 11⅛ 90	100	101⅜	+1	10.77
EEC 12 99	100	104⅛	+1⅛	11.07
Elf-Aquitaine 10⅞ 89	100	98⅜	+1⅛	11.27
Ericsson L M 10⅜ 88	100	98¼	+0⅜	10.86
Euro Inv Bk 11½ 90	200	102⅜	+1⅜	10.78
Euro Inv Bk 11⅛ 91	75	99⅞	+1⅛	11.72
Euro Inv Bk 12⅞ 90	100	106⅛	+1⅛	10.76
EDC 9⅞ 86	200	99⅞	+0⅞	10.32
EDC 10 88	125	99⅜	+0½	10.13
EDC 10¼ 89	100	101⅛	+0⅜	10.88
EDC 11⅛ 88	150	102¼	+1⅛	10.34
EDC 12 89	100	104⅜	+1⅛	10.60
EDC 13¼ 87	100	106¼	+0⅜	10.98
Fed Dept Store 11 90	100	100⅞	+1½	10.72
Finland 11½ 88	100	102⅞	+0⅜	10.38
Finland 12⅜ 94	75	104⅛	+1⅞	11.46
Finnish Export 12⅞ 87	75	104⅞	+0⅜	10.33
Firstfed Mich 1 13¼ 89	125	104½	+0⅜	11.79
Florida Fed 12⅛ 89	100	103	+0⅞	11.40
FNMA 11⅛ 91	300	100⅞	+1⅛	11.30
Gen Elec Cred 96 0	800	30⅜	+0⅜	11.16
Gen Elec Cred 9¼ 91	100	95⅞	+0⅞	10.67
Gen Elec Cred 10⅜ 00	200	98⅜	+0⅜	10.60
Gen Elec Cred 11 91	200	102⅜	+1⅛	10.35
Gen Elec Cred 11⅛ 87	200	102⅞	+0⅞	11.07
Gen Elec Cred 12 94	200	104¼	+0⅞	11.22
Gen Foods Cap 11⅛ 90	75	103⅜	+1⅛	10.52
General Mills 12 91	100	103	+1	11.30
GMAC 10 88	200	99	+0⅜	10.40
Gen Motors Acc 10⅜ 90	200	100⅛	+1⅛	10.40
Gen Motors Ac 11⅛ 90	100	103⅛	+1⅛	10.62
Gen Motors Ac 12⅜ 95	200	100⅝	0	11.94
Gen Motors Ac 13 96	200	[illegible]	[illegible]	[illegible]
GTE Finance 12 96	75	103⅛	+0⅜	9.92
Gulf Oil 10⅜ 94	100	100½	+0⅜	11.91
Gulf Oil 12⅜ 87	100	99⅝	+1⅞	10.81
GZB 14 91	100	102	+0⅜	11.17
Holl Air Fin 12¾ 91	100	108⅛	+1⅛	11.89
Household Fin 11⅛ 92	100	102⅜	+0⅜	11.73
IBM 9⅜ 89	200	99⅜	+0⅞	11.71
IBM (WTC) 10⅜ 89	300	98⅜	+0½	10.18
IBM Credit 11 89	100	99⅞	+1	10.38
IBM Credit 13⅞ 87	100	103⅜	+0⅜	8.90
IBM 12⅜ 92	200	103⅜	0	12.82
Ind Bk Japan 10⅜ 92	100	107⅜	+0⅜	10.77
Ind Bk Japan 10⅜ 95	100	97⅜	+1⅛	11.19
Ind Bk Japan 11⅛ 89	125	97⅜	+1⅞	11.22
Ind Bk Japan 11⅞ 91	100	102⅜	+1⅛	10.56
Ind Bk Japan 13⅞ 91	125	103⅜	+1⅜	11.11
Int-Amer Dev 12⅜ 91	190	112⅜	+2⅞	10.95
Int-Amer Dev 11⅜ 94	200	105⅞	+1⅛	11.38
Int Paper 12 91	75	102⅜	+2	11.48
Int Stand Elec 97	112	103⅛	−0⅛	11.10
Int Stand Elec 12 96	75	23⅜	+0⅜	13.08
ITT 11⅛ 89	125	99⅜	+0⅜	12.05
ITT 12⅜ 94	100	103⅜	+0⅜	10.42
Japan Airlines 12½ 94	70	104	+1	11.83
Japan Dev Bk 11⅛ 91	100	111⅛	+1⅛	10.53
Kellog Co 10⅜ 90	100	102⅜	+1⅛	11.55
Kellog Co 11⅛ 92	100	101	+1⅛	10.56
Kimberly-Clark 12 94	100	102	+0⅜	10.79
Kyowa Fin HK 12⅞ 90	100	103½	+1	11.35
Long Term Cred 10⅜ 90	100	105½	+1⅛	11.37
Long Term Cred 11 90	100	99	+1⅛	11.01
Long Term Cred 11⅞ 89	100	100	+0⅞	10.99
Long Term Cred 12 90	75	102⅞	+1	10.91
Long Term Cred 12 93	100	103	+1	11.18
Macy R H 11⅜ 91	100	103½	+1⅛	11.31
Macy R H 11⅛ 95	100	102⅞	+1	11.01
Marubeni 11⅛ 91	100	101⅜	+1⅛	11.46
McDonalds Fin 11⅛ 94	75	97⅜	+0⅜	11.85
Merrill Lynch 12½ 94	100	101⅜	+1⅛	11.27
Minebea 6⅝ 89	100	101⅜	+0⅜	12.17
Mitsubishi 5⅜ 88	100	114¼	−1⅛	2.14
Mitsubishi Cp 10⅜ 92	100	96	−0⅜	7.40
Mitsubishi Cp 10⅜ 95	200	96	−0⅜	11.58
Mitsubishi Cp 12½ 91	100	98⅜	+0⅜	11.46
Mitsui Eng 7⅞ 89	90	107⅜	+1⅛	10.82
Mitsui Fin 12⅜ 92	100	94⅜	−2⅜	9.07
Mitsui Tst Fin 12 91	100	100⅜	+0⅞	12.14
Mobil Corp 10⅜ 90	200	102⅜	+1⅛	11.32
Montreal City 12½ 91	70	97⅜	+0⅞	10.99
Mgn Guaranty 12⅜ 89	190	105⅜	+0⅜	11.12
Morgan J P 11⅛ 92	100	104⅜	+0⅞	10.90
Mount Isa Fin 13⅜ 87	100	100	+1⅛	11.22
Ned Gasunie 11⅛ 90	75	106	+0⅜	10.46
Ned Gasunie 11⅛ 91	75	101⅛	+0⅜	10.83
N Engl Lf Mfg 11⅛ 95	149	100⅛	+0⅜	11.14
Newfoundland 13 91	75	102⅞	+2	11.23
Nippon Crd Bk 13⅞ 89	100	106	+1⅛	11.53
Nippon Tel Tel 11⅛ 90	100	108⅜	+1⅛	11.10
Nippon Tel Tel 13⅞ 94	150	103⅜	+1⅛	10.41
Nissho-Iwai 6⅞ 89	75	108⅜	0	12.17
Nomura 6⅞ 88	100	80⅜	+0⅜	8.55
Nova Scotia 11⅛ 91	100	122⅜	−1⅛	−2.63
Nova Scotia 11⅛ 98	100	103⅜	+0⅜	10.95
Oester Post 12⅜ 88	75	103⅜	+2⅜	11.20
Ohbayashi-Gumi 7⅞ 89	50	103⅜	+1	11.00
Ontario Hydro 11⅛ 94	200	122⅜	−1⅞	1.68
Ontario Hydro 11⅜ 90	200	104	+1⅛	10.87
Ontario 12⅜ 94	250	105⅜	+1	10.39
Pacific Gas & El 12 00	75	107⅜	+1⅛	11.41
Penney J C 11⅛ 90	100	101⅛	+0⅜	11.78
Penney J C 12⅜ 91	100	103⅜	+0⅜	10.98
Phillips Petrol 14 88	200	105⅛	+0⅜	11.53
Postipankki 11⅛ 90	75	103⅛	0	12.93
Post-Och Kred 13⅜ 87	60	99⅜	+1	11.31
Privatbanken 12⅜ 95	100	105	+0⅜	10.77
Prudential Ins 12⅜ 87	150	98	0	12.91
Pru Rity Secs 98 0	365	105⅞	+0⅛	10.17
Pru Rity Secs 11⅛ 92	395	22⅜	+0⅞	11.45
Pru Rity Secs 12⅜ 95	546	103⅜	+1⅛	11.18
Quebec Prov 12⅞ 94	190	104½	+1⅛	11.34
Queensland Cvt 11⅛ 90	100	104	+0⅜	11.43
Rural Bk Aust 12 91	90	104⅜	+1⅛	11.52
Sanwa Bank 11⅞ 92	150	100⅜	+0⅜	11.78
Saskatchewan 10⅜ 92	100	101⅛	+1	11.47
Saskatchewan 10⅜ 90	125	98⅜	+1⅛	11.14
Saskatchewan 11⅞ 89	100	100⅞	+1⅜	10.49
Saskatchewan 15 92	150	104	+1⅛	10.67
Saskatchewan 16 89	125	116⅜	+1⅛	11.42
Scot Int Fin 14½ 96	50	115⅜	+1⅛	10.73
Sears O/S Fin 98	500	114½	+7	11.83
Sears Roebuck 10⅜ 91	150	23⅜	+0⅜	11.55
Sears Roebuck 11⅛ 91	150	98⅞	+2⅜	10.74
Sec Pacific 12 92	100	103½	+1	10.74
Shearson/Amex 12⅜ 94	100	102⅛	+1	11.40
Shell (Canada) 14⅜ 92	125	102⅜	+0⅜	11.82
Signal Comps 11⅜ 92	125	111	+0⅞	11.97
Standard Oil 10⅜ 99	150	101⅛	+1⅛	11.34
Statoil 12 88	100	96⅞	+1	10.85
Sumitomo Corp 10⅜ 92	100	104⅜	+0⅛	10.17
Sumitomo Fin 11⅜ 92	150	97⅜	+1⅛	11.12
Sumitomo Fin 12⅜ 91	190	101½	+1	11.40
Sumitomo Trust 12½ 92	100	105⅜	+1⅜	11.38
Sweden 11⅛ 89	200	102⅝	+0⅜	11.88
Sweden 12⅜ 89	200	102⅜	+1	10.91
Swedish Export 10⅜ 94	100	105⅛	+1⅛	10.70
Swedish Export 11⅛ 89	100	100½	+0⅛	10.54
Swedish Export 12⅜ 89	100	101⅞	−0⅛	10.82
Taiyo Kobe 11⅞ 90	100	104⅞	0	11.24
Taiyo Kobe 12 90	100	102	+1	11.32
Tenneco Intl 11⅛ 89	150	102⅛	+1⅛	11.32
Texaco Capital 10⅛ 90	200	102	+1	10.77
Texaco Capital 10½ 93	200	97⅜	+1⅛	11.03
Texaco Capital 13½ 89	200	99⅜	+0⅜	10.81
Texas Instru 11⅞ 91	150	107⅜	+1⅛	11.17
Tokai Asia 12¾ 91	100	100	+0⅜	11.13
Tokyo Electric 6½ 99	75	103⅜	+1⅛	11.32
Tokyo Electric 13⅜ 89	100	91⅛	0	9.21
Toray Inds 11⅛ 92	50	107	−0⅜	11.18
Toronto-Dom 12⅜ 89	50	98	+1	11.54
UBS 12⅞ 91	100	103⅞	+1⅛	11.34
Utd Tech 11⅛ 92	150	102⅜	+0⅜	11.59
Veba 8 93	70	100⅞	+1⅛	11.03
West LB 11⅞ 90	100	113½	+3	5.94
Westpac 12⅜ 92	100	101⅛	+0⅜	11.52
Weyerhaeuser 11⅛ 90	60	103	0	11.82
World Bank 11 92	300	100⅞	+1⅜	11.24
World Bank 11⅛ 90	200	99⅜	+1⅜	11.03
World Bank 11⅛ 89	200	101⅛	+1⅛	10.83
World Bank 12 98	200	102⅛	+1	10.57
World Bank 12⅜ 94	150	104⅛	+1⅛	11.05
World Bank 12⅞ 94	200	105½	+2⅜	11.29
Yasuda Trust 12⅜ 89	100	108⅛	+2	11.37
		104	+1	11.04

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 96	100	100⅛	+0⅛	9⅞
Arab Bank Cpn ⅛ 96	100	100⅛	+0⅛	10¼
Banca Lavoro ⅛ 91	100	100¼	+0⅛	9½
Banco di Roma ⅛ 91	150	99⅞	0	9 11/16
Ban di Roma 1/16 92 CU	75	99⅞	0	10⅜
Bankers Tr NY ⅛ 94	200	100⅛	0	9½
Bank of Greece ¼ 94	150	99⅞	0	9¾
Bank Montreal ⅛ 94 £	100	100⅛	−0⅛	13⅛
Bqe Nat Paris ⅛ 88	400	101⅛	+0⅛	10 7/16
Bqe Nat Paris ⅛ 89	250	100⅛	+0⅛	8 13/16
Bqe Nat Paris ⅛ 96	250	100⅛	0	9⅛
Barclays O/S ⅛*	600	100⅛	+0⅛	9¼
BBL ⅛ 95	100	100¼	+0⅛	9⅞
BBL ⅛ 99	100	100¼	+0⅛	9½
BCI ⅛ 96	300	100⅛	0	9⅞
BFCE ⅛ 87	400	100⅛	0	9 11/16
BFCE ⅛ 88	500	100⅛	0	9¼
BFCE ⅛ 89	600	100½	+0⅛	10 5/16
Belgium 1/16 04	400	100⅛	+0⅛	9¾
CCCE ⅛ 05	200	99⅞	0	9⅛
CEPME ⅛ 98 £	100	100⅞	−0⅛	13⅞
Chase Manhattan ⅛ 09	400	99⅞	−0⅛	9 11/16
Chemical NY 1/16 99	300	101⅛	0	9½
Citicorp O/S ⅛ 91 £	100	99⅜	0	13 11/16
Citcrp Pen Pen ⅛ 97	250	100	+0⅛	9 13/16
Commerzbank ⅛ 96	150	100⅛	0	10⅛
Creditanstalt 1/16 96	150	100⅛	0	9 5/16
Credit Comm ⅛ 96	250	100⅛	0	9 11/16
Credit Foncier ⅛ 00 £	100	100⅛	0	13½
Cred Lyonnais ⅛ 96	300	100⅛	0	9⅞
Cred Lyonnais ⅛ 89	250	100⅛	0	9⅞
Credit National ⅛ 95 £	100	100⅛	−0⅛	13⅞
Dai-Ichi Kangyo ⅛ 96	150	100	0	8 13/16
Denmark ⅛ 90	250	100⅛	0	9¾
Denmark 0 98	200	99⅝	0	9⅝
Denmark 1/16 90	500	100½	0	9½
EEC ⅛ 90	2bn	100⅛	0	9 11/16
Eldorado Nuke 0 96	100	100⅛	−0⅛	9 9/16
Elec de France ⅛ 95	300	100⅛	0	9½
Elec de France ⅛ 89	400	100⅛	0	10
EHEL ⅛ 93 £	100	100⅛	−0⅛	13 11/16
Exterior Intl ⅛ 96	125	99⅜	+0⅛	9⅜
Ferro del Stat ⅛ 99	250	100⅛	0	10 5/16
Fiat Finance ⅛ 94	100	99½	+0⅛	9⅞
First Chicago ⅛ 94	100	100⅛	0	9⅜
First Chicago ⅛ 97	150	100	+0⅛	8 15/16
Ford Motor Cr ⅛ 91	200	99⅜	0	9 11/16
GW O/S Fin ⅛ 94	100	99⅜	+0⅛	10⅛
Grindlays ⅛ 94	100	100⅛	0	9⅞
INI 1/16 00	190	100⅛	−0⅛	9 11/16
Interfirst Tex ⅛ 89	100	97⅛	0	8⅝
Ireland ⅛ 93 £	50	100⅛	0	14 5/16
Ireland 1/16 94	300	100⅛	0	9⅝
Ireland ⅛ 96 £	100	99⅞	−0⅛	14⅛
Ireland ⅛ 97	300	100⅛	+0⅛	10⅛
Italy ⅛ 94	1bn	99⅞	0	8⅞
Italy ⅛ 89	500	100½	+0⅛	10 5/16
Kleinwort Benson ⅛ 96	100	100½	+0⅛	10⅛
Korea Exch Bk ⅛ 94 £	100	88	−0⅛	9 11/16
Lincoln S. & L. ⅛ 89	100	100	0	9 11/16
Malaysia ⅛ 92	850	100⅛	0	9 11/16
Malaysia ⅛ 08	600	100	+0⅛	9 11/16
Man Hanover ⅛ 94 £	75	98½	+0⅛	14 5/16
Marine Midland ⅛ 94	125	100⅛	0	9⅜
Marine Midland ⅛ 96	125	100⅛	+0⅛	9¼
Marine Midland 1/16 09	150	100	0	9⅜
Mellon Bank ⅛ 96	250	100⅛	0	9 7/16
Midland Intl ⅛ 99	200	101⅛	+0⅛	10 7/16
Mitsui Fin ⅛ 96	100	100⅛	0	10⅛
Morgan Grenfell ⅛ 94	50	101⅛	+1⅛	8
Mfg Intermed ⅛ 10 £	50	100	0	13 11/16
Nat Bk Canada ⅛ 91	50	100	0	9⅜
Natl Bk Detr ⅛ 96	100	99⅜	0	6½
Nat West Fin ⅛*	500	100⅛	0	9⅛
Neste Oy ⅛ 94	100	100½	+0⅛	10
New Zealand ⅛ 87	350	100½	+0⅛	9⅛
NZ Steel Corp ⅛ 92	300	100⅛	0	8⅝
Oster Ln Bk ⅛ 89	100	100⅛	0	9¼
Oko Bank ⅛ 92	90	99⅜	−0⅛	9⅞
Portugal ⅛ 92	100	99⅞	+0⅛	9⅛
Quebec Hydro ⅛ 94	200	99⅜	−0⅛	9 9/16
Queensland Coal ⅛ 96	355	100⅛	0	8
Renfe ⅛ 91	100	100⅛	+0⅛	10 5/16
Sanwa Intnl ⅛ 92	150	100	0	9 5/16
BEAT ⅛ 98	100	100⅛	0	9 5/16
Skopbank ⅛ 94	75	99⅜	−0⅛	9½
BNCF ⅛ 93 £	75	100⅛	−0⅛	12⅞
Soc Generale ⅛ 90	200	100⅛	+0⅛	10⅛
Soc Generale ⅛ 96	250	101⅛	0	10 7/16
Soc Generale ⅛ 94	250	100⅛	0	10 5/16
Spain ⅛ 93	200	100⅛	+0⅛	10 5/16
Spain ⅛ 97	250	100½	0	10
Standard Chart ⅛ 94	200	100⅛	0	9½
Sumitomo Tst ⅛ 94	100	100⅛	0	9⅛
Sweden ⅛ 99	500	99⅜	0	9⅛
Sweden ⅛ 03	1bn	100⅛	0	10 5/16
Sweden ⅛ 05	700	99⅜	0	8 5/16
Sweden ⅛ 24	800	100⅛	+0⅛	10 5/16
Sweden ⅛*	750	100⅛	0	8 7/16
Tokai Asia ⅛ 99	150	100⅛	0	9 11/16
Toyo Trust Asia ⅛ 89	100	100⅛	0	9 11/16
TVO Power ⅛ 04	100	99⅜	0	9⅜
Union Bank-Norw 89	50	99⅛	−1	9 11/16
Wells Fargo 1/16 96	50	99⅜	+0⅛	9 7/16
World Bank 1/16 90	250	99⅜	−0⅛	8⅞
Yorkshire Int ⅛ 94 £	75	100	0	13⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	92⅛	−0⅛	
Best Denki 5⅞ 97	15	131⅛	−6⅛	−2.57
Canon 7 97	90	202⅜	−5⅜	0.98
Daiwa Secs 6⅞ 98	60	167⅜	−2⅜	0.72
Dev Bank Sing 5½ 98	75	75	+2	2.78
Eldars 11⅛ 94	190	102⅞	+1	108.23
Elektrowatt 5 89	52	96⅞	+1⅛	10.23
Fujitsu 3 88	150	88⅜	−4⅛	18.78
Intoc Inc 3 99	50	103⅜	−1⅛	−0.30
Kumagai Gumi 3½ 00	90	69	−2	−6.32
LAEMO 9¼ 89	45	97¼	−1	−16.40
Moet-Hennessy 7 99	50	102⅜	+0⅜	5.02
Murata Mfg 3½ 00	100	100	−2⅜	6.63
Nippon Oil 3⅜ 99	50	85⅞	−0⅜	8.10
Ono Pharm 3⅜ 98	60	107⅜	−2⅜	−2.54
Soc Gen Surv 4½ 94	81	94⅛	+2⅜	130.30
Sumitomo Corp 2⅞ 99	70	97⅜	−0⅜	−2.01
Texaco Capital 11⅞ 94	1bn	104	+0⅛	37.75
Texaco Capital 11⅜ 94	500	104⅜	+0⅞	38.74
Tsugami Corp 3⅜ 00	20	79	−1	−68.29
Yamaichi Sec 3⅜ 95	20	123	−2⅜	−4.47

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅜ 94	15	101⅛	+0⅛	7.17
Avon Products 6⅜ 96	28	97⅜	−0⅛	7.32
Denmark 6⅜ 92	20	97½	+0⅜	7.23
Dow Chemical 7 94	50	99½	+0⅜	7.07
Eurofima 7⅜ 94	10	101⅛	0	7.17
Eurofima 6⅜ 92	10	97⅜	+0⅜	7.27
FNMA 6⅞ 92	50	98	+0⅜	7.30
GMAC 6½ 90	25	98	0	7.00
Intel 6⅜ 92	13	95⅜	+0⅜	7.47
IADB 7½ 94	15	101⅜	+0⅜	7.30
IADB 7⅞ 93	15	102½	+0⅜	7.46
ITT 6⅜ 92	20	96⅜	+0⅜	7.47
McDonald Corp 6½ 92	25	97⅜	+0⅜	7.00
New Zealand 7⅜ 90	16	100⅞	+0⅜	7.05
New Zealand 7⅝ 89	15	102¼	+0⅜	6.89
Pacific Gas & El 7 94	20	98⅜	+0½	7.24
Penney J. C. 6¾ 92	28	87	+0⅜	7.32
Proctor 6⅝ 92	25	98⅜	+0⅜	6.96
Sallie Mae 6⅜ 92	25	96⅞	+0⅜	7.22
TRW 7 94	18	96⅜	+0⅜	7.25
Utd Technology 6⅜ 92	25	97½	+0⅜	7.10
World Bank 94	20	98⅜	+0⅜	7.27
World Bank 7⅜ 93	20	102	+0⅜	7.29
World Bank 8 93	20	104⅜	+0⅜	7.28

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	600	100⅜	+0⅜	9.61
Eurofima 10 94	600	101⅞	+0⅜	9.67
E Coal & Steel 10½ 94	1bn	103⅞	+0⅜	9.99
Euro Invest Bk 10⅜ 94	1bn	105⅜	+0⅞	9.60
World Bank 10⅞ 89	1bn	105¼	−0⅛	9.66

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	103	+0⅛	7.02
ABN 7⅜ 89	150	101⅛	+0⅛	7.29
Amro Bk 7⅜ 89	150	100¼	+0¼	7.17
Amro Bk 8 89	200	102⅜	+0⅛	7.14
BK Mees & Hope 8½ 89	100	102⅜	0	7.41
Beatrice Foods 8¼ 98	100	102⅞	+0⅜	7.41
C. C. Rabo 8 98	150	102⅞	+0⅜	7.13
Denmark 8½ 91	100	103	+0⅛	7.85
Int Stand Elec 8½ 89	100	102⅜	−0⅛	7.30
New Zealand 8¼ 89	100	103⅛	+0⅛	7.27

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12¾ 91	50	104⅞	+1½	11.13
Aust Resources 11⅛ 92	50	98⅜	+0⅞	11.96
Bank of Tokyo 10⅞ 92	75	95⅜	−0⅜	11.77
Bqe l'Indosuez 14 91	75	105⅜	+0⅜	12.61
Br Col Munic 12¾ 91	100	104⅜	+0⅜	11.16
Br Col Munic 13½ 91	100	107⅜	+1⅛	11.73
Br Col Tele 12⅜ 89	75	103⅞	+2⅜	11.69
Denmark 11⅛ 91	100	98½	+0⅜	11.97
Farm Cred Corp 12¾ 90	75	104⅜	+0⅜	11.02
Kredietbank 12 92	75	100	+0½	11.97
Long Term Cred 11⅞ 90	75	100¼	+0⅞	11.67
Montreal City 12¾ 91	50	105⅜	+1⅛	10.91
New Brunswick 12 95	75	102⅜	+0⅞	11.49
Nova Scotia 11⅛ 95	100	97⅜	+0½	12.08
Quebec Hydro 14 91	75	106⅜	+1	12.43

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9⅜ 92	100	103⅜	0	8.86
Australia & NZ 10⅜ 91	50	104⅜	+1⅛	8.73
Austria 10⅞ 93	100	106⅜	−0⅜	9.36
BFCE 9⅜ 92	75	102⅜	+0⅜	8.29
Cred National 10⅜ 94	50	106⅜	0	9.38
Cred National 11⅜ 91	50	109⅜	+0⅜	8.13
Denmark 10⅜ 87	75	105½	+0⅜	9.48
Ebco Intl 10⅞ 89	55	104⅜	0	9.37
EEC 10⅜ 91	[illegible]	104⅜	+1	9.40
EEC 11 93	50	107⅞	+1	8.99
EEC 11⅛ 91	50	106⅜	+1	9.75
EEC 11⅛ 93	70	105⅞	+0⅛	10.15
Euro Coal & Steel 8 94	60	110⅜	0	8.84
Euro Invest Bk 9⅜ 95	200	100⅜	+1	9.18
Euro Invest Bk 10⅜ 94	100	106⅜	+0½	8.06
Euro Invest Bk 10⅜ 98	50	107	−0½	8.28
Euro Invest Bk 10⅜ 94	100	105⅞	0	8.59
Euro Invest Bk 11⅛ 92	75	107⅜	−0⅛	8.89
Euro Invest Bk 11⅛ 93	50	105½	0	10.10
Euro Invest Bk 11⅛ 96	50	107	+3⅜	10.13
Gen Finance 11 90	70	106⅜	−0⅜	8.46
Giro Vienne 10⅜ 93	80	105⅜	+0⅜	8.57
GTE Finance 10⅞ 92	50	108⅛	−0	9.17
Ireland 10¼ 95	50	103⅜	+0⅜	8.62
Italian Govt 10⅜ 92	500	103⅞	+0⅜	8.73
Italian Tresa 11⅛ 90	50	104⅞	−0⅜	10.31
Kredietbank L. 9⅜ 92	75	98	0	9.57
Mogel Finance 11⅛ 94	100	104⅛	+0⅛	10.40
Nippon Cmd Bk 11 91	50	105⅜	0	9.64
Nordic Inv 9 94	50	109⅜	0	9.96
Post Och Kred 10⅞ 92	50	103½	+0⅛	10.13
Royal Bk Can 10⅜ 89	98	107⅛	0	8.26
SNCI 10⅞ 94	60	106⅜	+0⅛	9.78
Swedish Export 11 98	58	102⅞	−0⅜	10.03
West LB 10⅞ 91	50	105½	−1⅛	9.55
World Bank 10⅛ 88	100	106⅞	+0⅜	8.26

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	87	0	13.52
PIBA 12⅜ 89	50	97	0	13.39
State Bk NSW 12⅜ 83	40	97	+0⅜	13.26

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10⅜ 91	100	98⅜	0	10.89
Denmark 10⅜ 88	75	57½	+0⅜	11.97
EEC 11⅛ 94	50	101⅛	0	11.14
Europarat 11⅛ 92	50	99⅜	0	11.44
Euro Invest Bk 10⅜ 92	75	97⅜	+0⅜	11.28
Finland 11⅞ 88	50	101⅞	−0⅜	11.12
Grand Met 10⅞ 90	50	97⅜	+0⅜	11.54
IADB 11⅛ 91	90	99½	+0⅜	11.48
Int Stand Elec 11⅛ 89	50	100⅜	−0⅜	10.86
Inv In Indust 11⅛ 91	50	101⅞	+0⅜	11.05
Ireland 11⅛ 94	50	97⅜	+0⅜	11.81
New Zealand 10⅜ 89	100	97⅜	+0⅜	11.56
SNCF 11⅛ 94	60	98⅜	+0⅜	11.47
World Bank 10⅜ 89	100	99⅜	+0⅜	11.16
World Bank 10⅜ 89	50	98⅞	+0⅜	10.91
World Bank 11 94	50	98	+0⅜	11.33

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Commerzbank DM	31/5/88	43	0	21.94
Ciba-Geigy Int £	1/11/93	256½	+1⅛	142.07
Credit Suisse	31/5/86	20⅜	+0⅜	5.84
Deutsche Bank DM	18/8/91	154	−0⅜	2.77
ICI Finance	1/6/90	334⅜	0	208.31
IC Industries	15/6/88	18	+0⅜	−10.77
Jusco	22/12/88	70⅜	0	34.60
Minebea Co	20/2/89	33	−2	67.94
Mitsubishi Cp	7/11/88	13⅜	+0⅛	10.31
Mitsui	10/12/87	22⅜	0	7.06
Nissho Iwai	1/2/89	7	+1⅛	29.83
Nomura Sec	31/10/88	49⅜	−3⅜	3.33
Siemens Wstrn DM	31/5/90	239	+84½	−9.13
Swiss Bk Cpn	20/12/88	39⅜	−0⅜	13.77
Toray Ind.	6/3/87	11	0	9.17
Veba Intl	18/12/93	57⅜	0	42.87

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/88	15⅜	+0⅜	8.02
Coca-Cola 11⅛ 91	28/11/88	34½	+1⅛	4.73
Commerzbk 11⅛ 89	17/7/88	72⅜	+9⅜	−3.21
Du Pont 13⅜ 89	25/8/86	57½	+4⅜	−1.04
Eksportfinas 13⅜ 88	15/9/87	66½	+12	−2.28
Gen Elec 12⅜ 91	7/9/87	50⅜	+5⅜	3.01
IBM Credit 13 87	19/8/85	51½	+4⅜	−8.36
Inv In Inds 10⅜ 91	1/12/88	95	[illegible]	0.97
McDonalds F 11⅛ 94	8/1/89	27	+6⅜	8.53
Oester Lnbk 13⅜ 89	3/8/87	58½	+7⅜	−0.59
Texaco Cap 12⅞ 92	1/9/87	46	+4	4.75
Xerox 13⅜ 87	15/8/85	46½	+6	−6.53

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.
* Perpetual.

Closing prices on May 17.

UK GILTS

Long-term yields allow for inflation risks

THE FAIRLY stable conditions prevailing at the long end of the gilts market over the last week may not seem noteworthy. However, the fact that the current yield level (as measured by the FT Actuaries 25-year high coupon series) has risen only about 0.2 percentage points since dramatically worse than expected April money numbers is significant. Indeed, the resilience of long gilts to "shocks" should be regarded as a feature of major importance.

While the range for bank base rates so far in 1985 has been 5.5 percentage points, that for long yields has been only 0.7. This greater stability can be traced back to the latter part of 1982 (ie post-Falklands) though the 1983 General Election provides a "natural break." In the first Thatcher Government, the range for base rates was 8 percentage points while that for long yields was nearly 6. By contrast, during Mrs Thatcher's second term, the respective ranges were 5.5 and 1.5 percentage points.

The far more stable behaviour of long yields reflects the strengthened credibility of anti-inflation policies. This is a function of increasing confidence that not only will the policy stance be sustained (ie no U-turns), but also that Mrs Thatcher will remain in power to ensure its implementation. This policy commitment constitutes an anchor for inflationary expectations. However, the recent Gallup poll showing the Conservatives in third place is their worst rating since before the Falklands conflict.

Although this probably reflects the normal mid-term antipathy to the governing party, it could increase the market's awareness of the longer term political uncertainty. A general election could be as much as three years away, but the political factor must increase in importance and could be already critical in 1986.

But what is the market discounting? The gap between the nominal yield on conventional 25-year stocks and the real yield on index-linked stocks is currently about 7¼ percentage points. This overestimates the implied inflationary expectation to the extent that conventional gilts need to compensate for the risk because of the uncertainty of the inflation outlook (while index-linked stock, subject to some technical qualifications, provides a guaranteed real return). This risk premium reflects the difficulties of predicting inflation which, in turn, depends on the policy regime and the likely political environment.

In the absence of any objective yardstick, the volatility of previous inflation may represent a proxy; on this basis (and, optimistically, assuming the experience of the 1950s and 1960s) a risk premium of about 2 per cent would not seem excessive. Expected inflation would thus appear to be around 5¼ per cent. This is roughly in line with the underlying rate probable over the remainder of the present government's tenure but is too optimistic on a longer term basis if there is any political change and Thatcher type policies are abandoned or indeed reversed.

Even if long-term inflationary expectations appear to have no downward scope, nominal yields could be affected by changes in real rates. However, these are unlikely to fall significantly from current levels of nearly 3½ per cent. First, real rates are established in a world context dominated by the U.S. and will stay high as long as the U.S. mix of tight money and loose fiscal policy remains.

Secondly, the long-term historic record shows that current domestic real yields are not abnormal. Friedman and Schwartz have estimated that the real rate of return on nominal assets in non-war phases of the period 1867-1975 averaged 3.15 per cent.

The current situation thus generates mixed feelings. The relative stability of long yields represents a sensible response to the present policy environment but yield levels leave little to chance on the longer term fundamentals. Furthermore, long yields are already consistent with 10-10½ per cent base rates: sterling M3 growth needs to be kept to no more than 0.5 per cent per month in the remainder of the money supply year (as compared with a rise of 0.9 per cent per month last year); and a distinct switch to longer term funding seems likely (with sales of conventional stocks of over 15 years exceeding 30 per cent of total gross official gilt sales so far in 1985 compared with only some 6 per cent last year). The basically sideways trend may be therefore as much as can be expected, with the 10 per cent level so near yet so far away.

Peter Fellner
James Capel & Co

UK COMPANY NEWS

Charles Batchelor looks at the final stages of the House of Fraser takeover

NFU Mutual's small but curious role

IF the Al-Fayed brothers wrap up their £615m takeover bid on Wednesday for House of Fraser, the Harrods department store group, they might spare a thought for the curious, last-minute role played in the drama by the National Farmers Union Mutual Insurance Society.

The Society has not figured prominently in the epic seven-year struggle between Mr Roland "Tiny" Rowland's Lonrho group and the House of Fraser board, or the subsequent tussle between Mr Rowland and the Al-Fayeds.

In fact, the Society has not figured at all. Until, that is, the Al-Fayeds and Kleinwort Benson, their merchant bank advisers, attempted to mop up the Fraser preference shares. The bidders had gained control of more than 90 per cent of the ordinary shares and could compulsorily acquire the rest of the ordinary equity. But they were well short of this figure for the preference shares.

It was at this stage that the society, the official insurer to NFU members throughout the UK and the holder of a large chunk of preference shares, came into its own. It insisted on, and obtained, a higher bid for the preference equity.

The society is not alone in its skilful exploitation of what merchant bankers term the "nuisance value" of preference shares. But it is one of the leading players in tho this specialised corner of the stock market.

Despite the fall from favour of preference issues during the 1970s because of rapidly rising inflation there are still frequent opportunities for the holders of these shares to intervene in bid battles.

The sums involved in preference share bids are not usually large. A £51,000 increase in the valno of the bids for the three classes of House of Fraser preference stock is negligible in the context of the hid—for the ordinary shares—worth £615m.

But if the holders of more than 10 per cent of the preference shares refuse to accept the offer then the bidder will not be able to buy in compulsorily the outstanding shares under Section 209 of the Companies Act. The preference share holders will remain entitled to annual reports of their company's doings.

"The bidder would have to disclose to the world at large what he was doing with the business," said one merchant banker. "It has always been recognised that preference shares have a potential nuisance value." The Stratford-upon-Avon-based NFU Society has £11m worth of its £700m investment portfolio invested in the preference shares of about 100 companies. Most holdings date from the 1950s and 1960s when they were e popular method for companies to raise capital.

Crucially, the society, and its fully-owned subsidiary Avon Insurance, hold 45 per cent of

National Farmers Union
Mutual Insurance Society

Fraser's 43,000 3.85 per cent cumulative £1 preference shares; 15 per cent of its 365,000 5.25 per cent preference shares; and 6 per cent of its 350,000 3.15 per cent prefs.

The society persuaded the Alfayed Investment company and Kloinwort Benson to add 6p to its offer for each of the 3.15 per cent prefs, taking them to 66p per share; 7p to the 3.85 per cent prefs, taking them to 80p; and 4p to the 5.25 per cent prefs, taking them to 109p.

It thereby added a small but useful £7,695 to the value of its shareholding and nearly £43,000 to the value of the shares held by other investors.

Mr Norman Nowton, investment manager for the society, adopts a no-nonsense approach to his preference holdings.

"Preference shares are never at the wedding, always at the funeral," he said. "Historically, private investors have tended to be the holders of these shares and they have lost a lot of money. The only time they have any way of improving their position is in e situation like this. So we hold out for our any way of improving their pound of flesh.

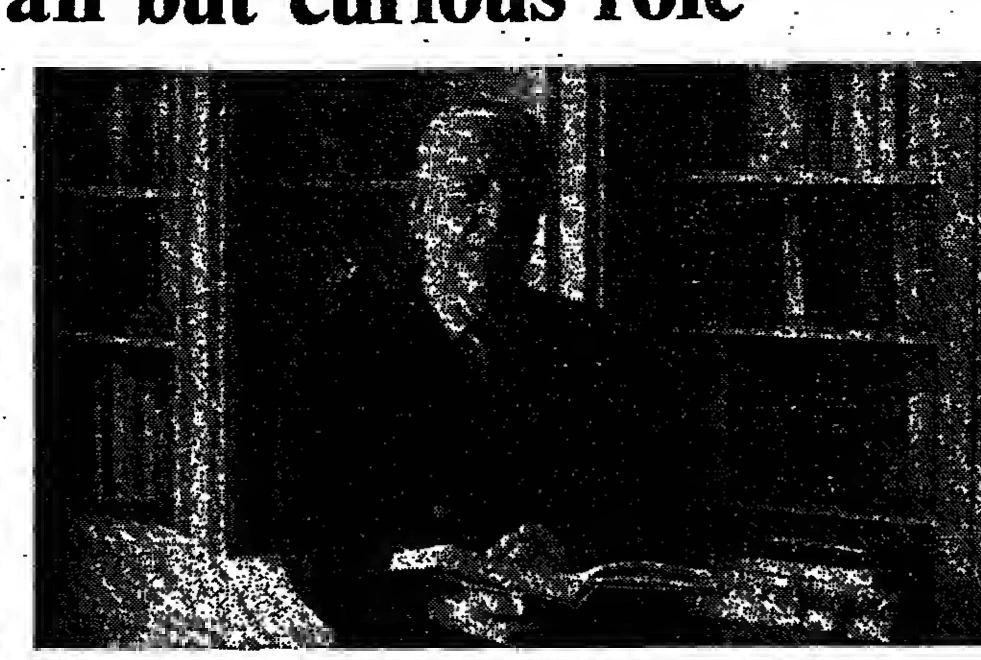
"These merchant banks know what they are doing. They know what tho basis for valuation is but they try it on. Sometimes they get away with it, sometimes they don't. We are far from alone in doing this."

Another skilled player in the preference share market is Mr John James, a retired businessman, now aged 79, who made two fortunes from chains of radio and later furniture shops during his post-war business career.

A miner's son, Mr James now devotes a considerable part of his wealth to charities, donating £272,000 earlier this year to help keep open the cardiac surgery unit of Guy's Hospital, London.

Mr James estimates he owns £30m worth of preference shares in several hundred companies—though not in House of Fraser—through foundations named after himself and his daughter, Dawn, who was killed in a car crash 20 years ago at the ago of 21.

"If yon find the Dawn James Trust on tho list of preference shareholders of a company, you groan," admitted one merchant banker. "Yon know you will have to pay the full price for the prefs."



Mr John James, a retired businessman, who has made two fortunes since the war

Mr James commented: "Preference shareholders bave had a rough time in the past. Boards tend to say: 'They don't have a vote, we can ignore them.' But I don't see why lackadaisical boards should get away with it. We do more good with the money we make than some of the boards of companies do for their preference shareholders."

Mr James estimates he has achieved a return of 29 per cent on his preference shares over the past six years. Dividends have given him 15 per cent and the rest has come from the profit on takeover bids.

He makes a point of buying 25 per cent or more of the preference stock, enough to block any special resolution aimed at limiting his rights.

"We make an extra few coppers from these situations," bo said modestly.

It is the small sums that can he made from the preference equity which makes some merchant bankers sceptical of the effort involved. "This may be a bruised view," said one. "But their activities are probably a waste of time if you look at the opportunity cost."

Mr Tony Maybrey, a partner of stockbrokers Gilbert Eliott, which specialises in preference shares, also cautions that bidders are only prepared to make limited concessions to buy off preference shareholders.

Nevertheless, he said, some institutions take e stand over their preference shares on a matter of principle. "They have bought these shares as a long-term investment. If someono comes along in the middle of the game they tako the view that the bidder should pay e proper price."

Merchant bankers acknowledgo that the thin markets in many preference shares made them difficult to deal in. The only way for holders to sell at a reasonable price is to get out during a takeover bid.

"Normally we test these things with the investor protection committees of the life insurance companies and pensions funds," said one. "You get some idea of the going rate."

But it is the difficulty of establishing what is the going rate which motivates many of the defenders of the rights and pockets of preference shareholders.

"The market price means very littlo because of the lack of marketability of these shares," said the NFU's Mr Newton. "The bidder may say he is offering a premium of 40 or 45 per cent over a figure which itself is near to meaningless. Once the merchant bank acts sensibly you won't see us at all."

SHARE STAKES

CHANGES in company share stakes announced over the past week include:

Christy Hunt—Mr J. H. Dyer, chairman, has acquired 70,000 ordinary and his interest has increased to 370,000 shares (10.57 per cent).

Geers Gross—Mr M. R. Williams, a director, has sold 165,000 ordinary shares.

Bardsey—With effect from May 3 1985 Mr F. B. Northcott is interested in 2m ordinary.

Welpac—The following directors have sold ordinary shares in the company: Mr G. S. Lavender 18,300; Mr N. B. Raphael 30,300; Mr P. A. Lavender 36,100; Mr A. H. Burnett 15,300.

Yelverton Investments—Zanmore has purchased a further 70,000 shares in the company taking its holding to 562,500 (7.004 per cent).

Nottingham Manufacturing Company—Mr J. E. Parsons, deputy chairman and group managing director, has disposed of 30,000 ordinary shares each acquired under the executive share option scheme.

AB Electronic Products Group—On May 7, two directors, Mr H. J. Kroch and Mr J. K. Brown exercised options of 100,000 each. These shares were then sold at 446p each.

Ruberoid—Dr J. A. Roberts, a director, beneficially disposed of 30,000 ordinary shares, 15,000 shares at 205p and 15,000 shares at 203p, altering his total holding to 10,000 ordinary (0.1 per cent).

Laidlaw Group—Mr T. M. Robertson, chairman, has sold 250,000 shares. This reduces his holding to 2,325,300 (27.2 per cent).

Francis Sumner Holdings—Mr M. Maimann purchased on May 13 10,000 ordinary shares at 13½p and on May 14 70,000 ordinary shares at 14½p, increasing his holding to 2,140,000 ordinary (7.99 per cent).

Falcon Resources—Mr M. W. Hindmarch, a director, disposed of 500,000 ordinary shares, 94,286 for himself and 405,714 on behalf of his wife, at 37p altering his total holding to 3,557,142 shares (12 per cent).

A. G. Stanley—Mr G. B. Stanley, a director, has reduced his holding in the company by 500,000 shares to 2,262,999, which represents 8.9 per cent of the issued share capital.

French Kier Holdings—Mr J. C. S. Mott, a director, has sold 38,200 ordinary shares at 146p altering his total holding to 266,548 (0.5422 per cent).

Debenhams—Mr R. C. Thornton, a director, on May 9, purchased 165,000 ordinary shares at 299p a share.

FINANCIAL TIMES STOCK INDICES

	May 17	May 16	May 15	May 14	May 13	May 10	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	80.30	80.37	80.57	80.72	80.61	80.30	82.00	78.02	127.4	40.0
Fixed Interest	85.34	85.38	85.50	85.53	85.62	85.47	86.12	82.17	150.4	50.0
Ordinary	1008.3	1016.5	1022.3	1018.X	1016.9	1001.2	1024.0	928.7	1024.6	40.0
Gold Mines	484.1	488.8	496.9	511.3	497.1	493.9	536.9	439.5	734.7	43.4
FT Act. All-Share	637.61	640.92	642.63	637.44	639.64	632.33	643.26	581.86	643.93	61.92
FT-SE100	1327.4	1336.1	1348.4	1326.6	1333.0	1316.8	1348.4	1206.1	1348.4	986.8

Increase at London Atlantic

Net asset value per 25p share et London Atlantic Investment Trust rose from 185p to 202.8p in the year to March 31 1985. The total dividend is increased from 5.55p to 6.1p net with e final up from 3.8p to 4.25p. Stated earnings per share rose from 5.77p to 6.29p.

Pre-tax profits for the year were up from £1.02m to £1.12m, and these were struck after administration costs of £100,668 (£92,165) and interest charges considerably higher at £316,971 (£81,428). After tax of £404,023 (£364,823), net revenue emerged higher at £717,885 (£658,181).

F.T. Share Information

The following securities have been added to the Share Information Service:—

Associated Steel Distributors (Section Industrials)
F.I.I. Ltd. (Food, Groceries, Etc.)
New London Oil (Oil & Gas)
Pepe Group (Drapery & Stores)
Scott Greenham Group (Industrials)

Newman-Tonks deal

In e £325,000 cash deal, Birmingham-based engineering group Newman-Tonks has acquired Plasmatic, e Leicester-based precision injection moulding company. This purchase is the first of what is expected to be a series of moves over the next few months to expand Newman-Tonks core businesses and rationalise further the structure of the group.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross yield	P/E ratio
‡‡380	N.P.	16/8	77	77	Anglo-East Plants	77	—	—	—	—	—
—	F.P.	—	27	27	Do. Warrants	27	—	—	—	—	—
§125	F.P.	21/6	181	154	*Aspen Comms. 5p	177	—	u2.6	2.8	2.1	22.6
172	F.P.	28/6	182	176	Asda Property 20p	178	—	u3.0	2.1	2.4	21.2
—	F.P.	—	850	750	Banco de Bilbao S.A.	800	—	—	—	—	—
—	F.P.	—	700	650	Banco de Santander	665	—	—	—	—	—
¶135	F.P.	6/6	225	160	*Bedford (William) 5p	160	—	g3.5	2.6	3.1	17.7
¶130	F.P.	17/6	112	100	Blagden Inds.	119	+1	7.2	1.8	8.6	8.1
375	200	—	255	238	British Aerospace 50p	240	−8	13.55	3.1	4.7	7.7
165	F.P.	—	176	168	*Clayform Props. 5p	168	—	bg7.5	2.1	6.4	10.6
166	F.P.	—	135	120	Coloroll 10p	120	−6	bg4.6	2.5	5.2	11.3
200	F.P.	31/5	300	260	Domino Print. Scienc.	300	—	u1.75	4.3	0.8	40.0
§117	F.P.	31/8	130	120	*Electron House 10p	125	−2	bg2.7	1.9	3.1	22.7
—	F.P.	—	45	37	German Small. Wrrts.	43	—	—	—	—	—
§122	F.P.	7/6	200	172	*Howard Group 5p	195	+11	bg4.2	3.2	3.1	14.3
§150	F.P.	7/6	205	166	*Huntleigh Tech 5p	205	—	u1.5	3.5	1.0	32.
100	F.P.	—	103	101	Martin Currie Pac. 50p	101	—	—	—	—	—
§28	F.P.	14/6	30	28	*Maxiprint 1p	29	—	—	—	—	—
§120	F.P.	7/6	160	143	*Moorgate Group 5p	160	+8	bg2.0	5.2	1.6	14.4
§115	F.P.	29/5	119	114	*Norscot Hotels 50p	114	−1	—	—	—	—
¶¶	F.P.	—	90	75	P.&O. Warrants	78	—	—	—	—	—
110	F.P.	7/6	112	109	Persimmon 10p	108	—	bg4.75	5.5	6.3	6.2
£7.28*	F.P.	26/4	85	80	Plantation Tst	80	—	—	—	—	—
—	F.P.	—	40	38	Do. Warrants	38	—	—	—	—	—
100	F.P.	7/6	106	102	Prestwick 5p	103	−1	u2.1	3.3	2.9	14.0
—	F.P.	26/4	95	73	REA Warrants	73	—	—	—	—	—
¶176	F.P.	7/6	205	176	*Sherwood Com 10p	183	−2	62.75	3.4	2.1	19.
¶176	F.P.	8/5	185	170	Sintrom 10p	180	−2	ug1.84	5.3	1.5	21.6
130	F.P.	10/6	143	137	*Wayne Kerr 10p	143	—	u1.5	4.2	1.5	22.3
§68	F.P.	24/6	78	68	*Wyko Group 10p	68	—	b2.4	2.4	0.0	11.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
—	F.P.	—	83	83	Anglo-East Plts. 12½% Uns. Ln. 93-98	83	—
¶¶	F.P.	—	105	100	Bramall (C.D.) 10% Cnv. Uns. Ln. 95/2005	105	—
86.91	£30	19/6	31⅛	29	Int.-Am. Dev. Bk. 9¾% Ln. 2015	29¾	+⅛
90.705	£30	6/6	30⅝	29	Malaysia 10¾% Ln. 2009	29¾	+⅛
—	F.P.	—	100¾	99¾	Nationwide Bldg. Soc. 12¼% Bds. 21/4/86	99¾	—
—	F.P.	—	100	99¾	Do. 12¼% 12/5/86	100	—
—	F.P.	5/6	99	92	Plantation Trst 7½% cnv. Uns. Ln. 2000	98	—
—	F.P.	6/6	108	105	Queens Moat 7% Cnv. Rd. Prf.	107	+1
—	F.P.	14/6	114	105	Saatchi 6.3% Cnv. Cum. Red. Pref.	106	—
49.895	£50	12/7	56¾	50	Spain (Kingdom of) 11¾% Ln 2010	55¾	+⅛
¶¶	F.P.	—	128	122	Williams Hldgs. 5% Cum. Cnv. Prf.	126	+1
¶¶	F.P.	—	106	105	Do. 10% Cum. Prf.	115	—

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
200	Nil	20/6	163pm	153pm	Bank of Scotland £1	155pm	−5
150	F.P.	14/6	383	323	Barclays £1	378	−5
350	Nil	—	40pm	30pm	Beazer (C.H.) 70p	30pm	−5
28	Nil	—	1½pm	½pm	Brit. Empire Sec. & Gen. 5p	½pm	—
102	F.P.	16/6	126	116	Grampian Hldgs	112	−2
80	Nil	—	7pm	6pm	*Grosvenor Square 10p	7pm	—
66	Nil	5/7	10pm	7pm	Lon. & Northern	10pm	+½
285	F.P.	16/6	316	295	LASMO	305	—
616	Nil	—	127pm	110pm	Low (Wm.) 20p	120pm	−7
285	F.P.	12/6	355	340	Memec 10p	350	—
26	F.P.	7/6	102½	96	Nationwide Leisure	98	—
26	F.P.	28/6	36	29	Newman Inds. 10p	36	+2
49Ir.	F.P.	—	64	46	‡‡Oliver Prospecting	62	—
70	Nil	4/7	6pm	2pm	*Rivlin (J.D.S.) 5p	3pm	−1
375	F.P.	10/6	430	405	Scapa	430	+5
11	Nil	4/6	11¾pm	10¼pm	Second Market Inv. 5p	10¾pm	−¼
222	Nil	28/6	22pm	14pm	Tesco 5p	22pm	—

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. * Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Aitken Hum.	May 29	Final 4.0
*Allied Irish Banks	May 22	Final due
*Allied-Lyons	May 28	Final 4.39
Amersham International	June 11	Final 3.1
Anglo Amer Corp SA	June 4	Final 85c
*Assoc. British Foods	May 20	Final 3.4
*Aust and NZ Banking	May 20	Interim 15
*Bass	May 22	Interim 3.3
Bassett Foods	June 13	Final 4.55
Beecham	June 14	Final 5.6
Berisford (S. & W.)	June 16	Interim 3.5
*Boots	May 30	Final 3.5
British and Com Shipping	June 14	Final 8.5
British Land	June 16	Final 1.5
Burnett and Hallamshire	June 22	Final 4.75
*Capital and Counties	May 29	Final 3.3
*Carless Capel	May 29	Final 1.75
Centrovincial Estates	June 14	Final 3.0
*Coalite	May 29	Final 4.13
*Courtaulds	May 28	Final 3.0
De La Rue	June 6	Final 18.4
Elliott (B.)	June 14	Final nil
*English China Clays	June 7	Interim 3.6
*Extel	May 30	Final 8.0
*Fitch Lovell	June 20	Final 6.7
BEI Intl	June 12	Final 3.555
*Gerrard and Nat Discount	May 21	Final 8
Great Portland Ests	June 12	Final 4.5
Guinness	June 12	Interim 1.82
*Guinness Peat	May 22	Interim 0.9
*Habitat Mothercare	June 8	Final 4.5
Hanson Trust	June 5	Interim 1.75
*Harrisons and Crosfield	May 29	Final 26.0
Hill Samuel	June 6	Final 7.5
Johnson Matthey	June 20	Final 7.0
LRC Intl	June 18	Final 2.35
*MEPC	May 29	Interim 2.5
*McCorq'dale	June 4	Interim 2.0
*Metal Box	June 11	Final 9.19
*Meyer Intnl	June 18	Final 3.1
Pegler Hattersley	June 8	Final 6.6
Pilkington Bros	June 13	Final 6.5
*Plessey	May 23	Final 2.24
Powell Duffryn	June 20	Final 11.0
*RHM	May 21	Interim 1.6
Reed Intnl	June 6	Final 11.6
*Sainsb'y (J.)	May 21	Final 5.1
*600 Group	June 13	Final 6.5
Sketchley	June 6	Final 2.91
Smith Bros	May 30	Final 9.9
Staveley Inds	June 14	Final 4.0
*Tate & Lyle	May 29	Interim 6.5
Tesco	June 13	Final 2.8
*United Scientific	May 23	Interim 2.0
Valor	June 14	Final 2.928
Wedgwood	June 19	Final 3.5
Westland	June 13	Interim 3.0
*Whitbread	May 22	Final 4.4
*Wolverhampton & Dudley Brws	May 29	Interim 2.55

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

UK COMPANY NEWS

Metals Exploration to reopen suspended Nepean nickel mine

Australia's Metals Exploration has decided to reopen its small Nepean nickel mine, south of Coolgardie in Western Australia, following the recent improvement in nickel prices. The U.S. price has moved up to $2.40 per lb and the weakness of the Australian dollar has further enhanced the price for Metals Exploration.

Operations at Nepean were suspended in January, 1983 when nickel prices went below $2 per lb. Ore production is now set to recommence early in the second half of this year. Mining of the 240,000 tonnes of developed reserves will continua for more than two years concurrent with an exploration programme to seek more ore.

Metals Exploration's unconsolidated subsidiary, Metals Exploration Queensland, holds 50 per cent of the long-struggling Greenvale nickel-cobalt mine in Queensland which has hed to cut production in order to reduce losses. Tha other partner is Freeport McMoRan.

Western Selection ahead to £388,419

Pre-tax profits of Western Selection rose from £327,053 to £388,419 for the half year to March 31 1985 after releasing £276 (£57,953) of tha provision necessary against a decline below cost in the value of investments held in the general portfolio.

Turnover of the trading subsidiary, Duratube and Wire, increased to £5.53m (£3.26m) and profits were £285,067 (£145,467). Tha parent company's contribution fell from £123,633 to £103,076 because less dividend income was received from associate companies.

The board has confidence, based on a record order book, that Duratube will heve a successful year and expects full year group profits to exreed last year's £615,797 pre-tax.

Stated half-year earnings per share were 0.5p higher at 2.27p and the interim dividend is maintained et 1p net—last year's final was 1.7p.

BOARD MEETINGS

TODAY

Interims: Australia and New Zealand Banking, Brooke Tool Engineering, Cramphorn, Craton Lodge and Knight, Crystalate, Hoggett Bowers, Radio City (Sound of Merseyside).

Finals: Associated British Ports, Cakebread Robey, Goldsmiths, Ivory and Sime, Nu-Swift Industries.

FUTURE DATES

Interims—

Arbuthnot Govt. Securities Tst.	May 31
Borthwick (Thomas)	May 29
City Site Estates	May 21
Domino Printing Sciences	July 16
Durban Roodepoort Deep	June 10
East Rand Proprietary Mines	June 10
Greenall Whitley	May 21
RHP	May 23
Tomkinsons	June 14

Finals—

Blyvooruitzicht Gold Mining	June 10
Capital and Counties	May 29
Coalite	May 29
Comprehensive Financial Services	May 21
Extel	May 30
Kingsley and Forester	May 22
Meyer International	June 18
Sims Catering Butchers	June 11
TR Natural Resources Inv. Tst.	June 3
TR Property Investment Trust	May 29

COMPANY NEWS IN BRIEF

Of the rights issue by Grampian Holdings of 3,383,862 ordinary shares at 102p, approximately 93.55 per cent have been taken up. The balance has been sold in tha market and the net proceeds will be distributed to those ordinary shareholders who did not take up their entitlements. No payment will be made for any amounts of less than £1.

* * *

At the annual meeting of President Entertainments, Mr Robert Earl, the chairman and managing director, said that 1985 and 1986 would be years of rapid expansion for the company. Trading was well ahead of last year in all of the establishments and bookings for the remainder of the year were also well ahead.

Negotiations for acquisitions in the UK were at an advanced stage, he added.

* * *

SGB Group has acquired 80 per cent of Stonewest, of Bristol. Arrangements have been made for SGB to purchase the balance over the next two years for a consideration based on profit levels.

Maximum aggregate consideration will be less than 5 per cent of the net assets of the SGB Group, part of the initial consideration has been satisfied by the issue of 425,361 ordinary shares and the balance was paid in cash.

Stonewest, operating through its subsidiary, South Western Stona Cleaning and Restoration Company, directly employs "the largest number of specialist restoration masons in the country."

* * *

Norcros has sold its interest in Crittall McKinney Metal Window Company, its Northern Ireland subsidiary serving the local market.

The company has been purchased jointly by Joseph McManus of Belfast, and Albann Windows of Irvine, Scotland. It will continue to trade under the new name of Albann McKinney Window Company.

* * *

Epicure Holdings has sold its wholly owned UK leasing subsidiary, Epicure Investments, the principal activities of which are the leasing of agricultural capital goods, plant and machinery.

The effects of the sale on the group's balance sheet will be to reduce borrowings by approximately £1.2m and to add £150,000 to reserves. This sale forms part of Epicure's continuing reorganisation programme.

* * *

Sears has received acceptances in respect of over 90 per cent of the shares in Foster Brothers Clothing, for which each of its offers were made. It intends, in due course, compulsorily to acquire the outstanding Foster ordinary and preference shares.

* * *

Barrow Hepburn Group has acquired Fastenreliable and Extrafast Bolt and Nut Company. The companies, based in Wolverhampton, manufacture and supply special bolts and nuts and fasteners, principally to the petro-chemical and power generation and energy industries.

The initial purchase consideration was £350,000, of which £200,000 was paid in cash at completion, and £150,000 was represented by unsecured variable rate loan notes of a maximum five-year term.

Deferred purchase consideration, up to a maximum of £325,000 may be payable in April 1986 by a combination of cash, Barrow ordinary and convertible unsecured variable rate loan notes.

Net assets of the companies at February 28 1985 were £134,000 and the combined annualised profits before tax of the companies in the periods to end February 1985 were £162,000 and the annualised turnover was £1.1m.

PARLIAMENTARY DIARY

Business in parliament this week

TODAY

Commons: Debate on a government motion on the Report of the Auld Committee of Inquiry into proposals to amend the Shops Acts.

Lords: Local Government Bill, Committee. Prosecution of Offences Bill, Consideration of Commons amendments.

Select Committees: Environment—Subject: Radioactive waste. Witness: Greenpeace (Room 20, 4.30 pm). Treasury and Civil Service—Subject: International Monetary Arrangements. Witness: HM Treasury (Room 15, 4.30 pm).

TOMORROW

Commons: Remaining stages of the Transport Bill.

Lords: Four Housing Bills, Second Readings. Local Government Bill, Committee. Motor Cycle Crash Helmets (Restrictions of Liability) Bill, Second Reading.

Select Committee: Education, Science and Arts—Subject: Achievement in primary schools. Witnesses: National Association of Governors and Managers of Schools: Professor Galton and Professor Bernbaum, University of Leicester (Room 5, 10.45 am).

Lords Select Committee: Overseas Trade—evidence from Sir Hugh Cortazzi and Sir Geoffrey Chandler, Industry Year.

WEDNESDAY

Commons: Remaining stages of the Transport Bill. Motion on the Royal Ordnance Factories Trading Fund (Revocation and Repeal Order).

Lords: Short debate on the significance to the changing economy of Britain of the support given to the British Tourist Authority and the National Tourist Boards for England, Scotland, Wales and Northern Ireland. Short debate on the case for the European Community to make more effort to narrow the gap in the Arab/Israeli dispute. Tobacco Products Bill, Second Reading.

Select Committees: Employment—Subject: The dismissal of NCB employees. Witnesses: Mr Arthur Scargill, President, and Mr Peter Heathfield, Secretary, and other NUM officials (Room 6, 10.30 am). Foreign Affairs—Subject: Overseas programme expenditure 1985-86. Witness: BBC External Services (Room 8, 10.30 am). Trade and Industry—Subject: Trade with China. Witness: Foreign and Commonwealth Office (Room 15, 11.30 am). Employment—Subject: The dismissal of NCB employees. Witnesses: Mr Ian MacGregor, chairman, Mr Albert Wheeler, area director, Scotland, and other NCB officials (Room 8, 4.15 pm). Public Accounts—Subject: RDF incorporation. Witness: Sir Clive Whitmore, Ministry of Defence (Room 16, 4.15 pm). Transport—Subject: Marine Pilotage. Witnesses: UK Pilots Association; Joint Committee of London Sea Pilots (Room 17, 4.15 pm). Treasury and Civil Service Sub-Committee—Subject: The financial and economic consequences of UK membership of the EEC: The European Monetary System. Witness Bank of England (Room 6, 4.15 pm). Foreign Affairs—Subject: Overseas programme expenditure 1985-86. Witness: Overseas Development Administration (Room 15, 5.00 pm).

Unopposed Bills: Birmingham City Council; Leicestershire (Lords) (Room 9, 4.00 pm).

THURSDAY

Commons: Debate on the Commission for Racial Equality Report on Immigration Control Procedures on a motion for the adjournment. Opposed Private Business at 7.00 pm.

Lords: Local Government Bill, Committee.

FRIDAY

Commons: House to rise for the Whitsun adjournment until Monday, June 3.

Closing prices, May 17

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.8	13	46	17	16⅞	17	
18	9⅞	AGS			12	84	15	14½	14½	−⅜
17⅝	9⅝	AMCA				21	11¼	11	11	−¼
21½	13¾	AMF	.50	2.7	54	1207	10⅞	18⅛	18¾	+⅛
45	24¼	AMR			11	5683	u46	45	45⅞	+1
21⅜	18⅝	AMR pf2.18		11.		450	20⅞	20¾	20¾	
65¼	44⅜	ASA		24.0		820	50⅞	50	50⅛	−⅜
27	14⅛	AVX	.32	2.9	13	247	15¾	14½	15¾	−⅛
24⅞	16	AZP	2.72	11.	7	4570	24¼	23⅝	24⅛	+⅛
54	36¾	AbtLab	1.40	2.6	15	1350	53¾	52¼	53⅝	+1¼
25⅞	17	AccoWd	.44	2.1	17	3161	21¼	20½	21¼	
21⅛	12½	AcmeC	.40	2.6		100	14⅝	14	14½	+¼
10½	7⅝	AcmeE	.32b	3.9	10	181	8⅛	7¾	8⅛	+¼
17⅜	15	AdaEx	1.92e	11.		50	17	16¾	17	+⅛
20	11½	AdmMl	.32	2.9	6	6	15¾	15½	15⅝	−⅛
19½	6⅝	AdvSys	.53t	5.9	17	151	10¾	10½	10⅝	+½
41⅛	25½	AMD			13	2344	29⅝	28¾	29⅛	
12¾	6⅞	Advest	.12	1.3		68	9½	9⅛	9½	+⅜
14⅝	8¾	Aerflex			12	88	12½	12⅛	12½	+⅜
45⅝	27¼	AetnLf	2.64	5.7	34	4630	u46½	40¼	40	+⅛
58¾	52⅜	AetL pf5.83e		10.		304	55⅞	55⅝	55¾	
36	15¾	Ahmns	1.20	3.4	14	2893	35¾	34⅞	35⅜	−⅜
3⅞	2½	Aileen			22	51	3	2⅞	2⅞	
[illegible]										

Continued on Page 21

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, May 17

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7¼	3⅞	ADI n			21	74	5	4¾	5	+⅛
15¼	8¾	AL Lab	.20	1.3	13	280	u15⅛	15½	15¾	+⅛
22⅝	12	AMC o	.12	.7	14	12	15⅜	15¼	15⅜	+⅜
5⅞	2⅜	AM Intl				262	4	3⅞	4	
82⅛	58	ATT Fd	5.07e	6.1		167	u83½	82	83½	+1¾
13¾	6½	AcmeU	.32	3.2	12	4	10⅛	10⅛	10⅛	−⅛
10¼	9⅝	Action			32	209	10⅝	10½	10¾	+⅛
7¾	3	Acton				22	3⅝	3½	3⅝	+⅛
2	5-16	Actn wt				2	5-16	5-16	5-16	
3⅝	1½	AdmRs			3	28	2⅛	2	2	−⅛
30¼	17¼	AdRusl	.14	.5	26	8	28⅞	28¾	28¾	−¼
23½	15	Adobe	.28	1.3	12	61	19¼	19⅛	19½	−⅜
8⅝	4½	Aeronc			13	14	5⅝	5½	5½	−¼
46¼	27⅝	AfilPb s	.80	1.0	20	18	45⅝	45	45	−1
9¾	5¾	AirExp			23	12	6⅝	6¼	6⅜	−⅛
11½	5⅞	AirCal			14	402	9⅝	9¼	9⅝	+⅜
11⅝	9¾	ArCal pf				495	u12	11⅝	11¾	+⅜
4¾	1	Alamco			34	51	1⅜	1¼	1⅜	
101	85½	Almito n			12	24	96½	95⅝	95⅞	−⅛
10¼	6⅝	AlbaW			35	9	7⅜	7¼	7⅜	+⅜
8½	6⅝	Aloha				11	6¾	6⅝	6⅝	−⅛
19	9½	AlphaIn	.05	.4	22	168	11¼	10⅞	11¼	+¼
1	9-16	Altex				120	¾	11-16	11-16	
5-16	⅛	Altex wt				14	⅛	⅛	⅛	
28⅛	11	AlzaCp			44	156	24⅜	23⅞	24⅜	+⅜
18⅝	9½	AmdahI	.20	1.5	17	680	16⅝	16¼	16½	+¼
15⅞	6½	Amedco	.08	1.2		243	7⅝	6⅝	6¾	−¾
9½	4⅝	AmBilt	.15	1.5	8	499	u10	9¼	9⅞	+⅜
7⅜	4	AmCap			15	57	7	6⅞	6⅞	
36¾	12⅛	AExp wt				448	u37	35⅞	36½	+½
6	5⅜	AFruc A			13	z2200	5¾	5⅝	5⅝	+⅛
6	5⅝	AFruc B			11	z200	5¾	5¾	5¾	
12¼	7¼	AHlthM			13	293	10¼	9⅞	12	−⅜
8	4	Aisrael			2	40	7	6¾	7	+⅛
19⅞	12⅝	AMzeA	.52	3.8	32	8	14⅞	14¾	14⅞	−⅛
18½	12¾	AMzeB	.52	4.0	29	72	13⅛	12⅞	13⅛	
2⅞	½	AMBld				375	2	1 15-16	2	+1-16
10	3	AmOil			18	17	3⅞	3¾	3¾	−⅛
63½	33½	APetI	3.20	5.4	21	7	58⅞	58⅞	58⅞	
18	11⅝	APrec s	.24b	1.7	19	26	14¼	14⅛	14¼	+⅜
9½	6¼	AmRlty			3	12	9⅝	9½	9½	
15½	11⅞	ARoyl n				151	15	14⅞	14⅞	−⅛
4½	0	AScIE				17	9½	9½	9½	
8⅛	1¾	Ampal	.08	2.7	2	142	2⅜	2¼	2¼	
8	3½	Andal			15	29	5¾	5¾	5¾	
9⅝	2½	AndJcb				44	4⅝	4¼	4⅝	+⅛
15⅞	9	Andrea	.72	5.1	16	2	14¼	14¼	14¼	+⅛
14⅝	8⅝	Anglea			25	40	8⅞	8⅝	8¾	−¼
3¾	¾	Angel wt				1	1⅛	1⅛	1⅛	−⅛
5⅜	⅞	vjAngl v				118	2¼	2⅛	2¼	
9¼	3⅛	ArgoPt				47	5	5	5	
11⅝	6½	Armtrn			14	10	6⅝	6⅝	6⅝	
11½	7¼	Armel s			18	1	9½	9½	9½	−⅛
24	11	Arundl			13	11	21	20⅞	21	
11⅛	6½	Asmr g	.15	1.8		28	8½	8⅜	8½	
11¾	8⅛	Astrex			12	3	11½	11½	11½	−⅛
6⅞	1	Astrotc				514	1⅜	1¼	1⅜	
17⅜	7½	Astrot pf	.45j			12	11⅛	10½	11	−¼
2⅛	9-16	AtlsCM				42	1⅛	1	1⅛	+⅛
7⅜	3⅝	Audiotr	.05e	2.0		251	5½	d2	2½	−1
20¾	13⅝	Avondl	.80	5.2	18	25	15⅝	15¼	15⅜	−½
		B B B								
41½	24½	BDM	.12	.3	24	40	40⅝	38⅞	40⅝	+⅜
20⅝	20⅝	BDM wi				1	20⅝	20⅝	20⅝	
3⅛	1¾	BRT			7	32	2⅝	2⅝	2⅝	
16⅛	10½	BSN wi				12	11⅜	11½	11½	
15⅛	7¼	Badger	.40e	4.2	12	1	12⅛	12⅛	12⅛	−⅛
17½	7½	Baker			22	5	14⅞	14¾	14⅞	
9¾	7½	BaldwS	.32e	3.4		32	9½	9⅝	9⅝	
29	21	BanFd	2.78e	11.		5	25⅛	25	25	−⅛
7⅛	4¾	Banstr	2			1	6⅜	6⅜	6⅜	
9¼	6⅛	BnkBld	.40	5.1	19	12	7⅞	7⅞	7⅞	
4⅝	3⅛	Barco				7	4	4	4	
4⅛	2½	BarnEn			12	5	3	3	3	+⅛
10¾	7¾	Barnwl	.20	2.8		18	7¾	7¾	7¾	−⅛
8⅞	4	BaryRG				112	6⅝	6½	6⅝	
13⅛	10¼	Baruch	.34t	2.7	20	3	12½	12½	12½	
9¾	4⅜	Beard				154	9	8⅝	9	+⅜
22½	11⅞	BeldBld	.80	14.		2	15⅜	15⅜	15⅜	
28½	19	BergBr	.32	1.2	17	40	27⅞	27¾	27¾	
5⅜	3¼	BethCp	.42t	11.		7	4	4	4	−⅛
30¾	21¾	BicCp	.72	2.7	8	52	26½	25¾	26¼	+½
12⅞	9¼	BigV	.40	3.1	24	2	12¾	12¾	12¾	+⅛
24	19⅛	BinkMf	1	4.8	11	21	23	23	23	
34¼	17¾	Blessng	.90	2.8	2	5	32¼	32	32¼	+⅜
2⅜	¾	BlockE				18	1¼	1⅛	1¼	+⅛
19¾	11⅝	BlountA	.45	5.1	7	118	14¾	14½	14⅝	+⅜
19½	12	BlountB	.40	2.2	7	28	14½	14¼	14½	−¼
45¼	22½	BolarP	.05	.1	34	738	41¼	39¾	41	−2¼
19¼	11½	BowVal	.28			18	13	13	13	
10½	9⅛	BowlA e	.44	4.3	18	27	10⅛	10	10½	+¼
4⅛	2½	Bowmr			17	36	3⅞	3¾	3⅞	+¼
19	12⅜	Bowne	.44	2.7	17	174	16⅝	15⅞	16⅛	+⅜
29	18¼	Brscn g	1.60			36	21¼	20⅞	21	+¼
15⅝	11¼	Braun s			8	1	13⅞	13⅞	13⅞	−¼
32¼	22¾	BrnFA	.88	2.8	12	12	31½	31¼	31¼	−⅛
34⅝	23¼	BrnFB	.88	2.8	11	8	34	34	34	−⅛
5	2⅜	Buckhn				25	3⅞	3¾	3⅞	−⅛
5¾	3⅜	Buckh pf	.50	10.		12	5⅛	5	5	−¼
18¼	10⅞	Bush n				81	11	d10½	10⅝	−¼
		C C C								
19⅞	11¾	CDI s			10	6	u20⅛	20	20⅛	+¼

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 20

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34	25	Weyerhr	.30	4.4	18	1637	30	29	29½	+¼
44⅝	34¾	Weyr pf	2.80	8.5		47	42¾	41⅜	42¾	+1¼
51⅝	43⅝	Weyr pr	4.50	8.2		82	48	48⅜	49	+⅜
28⅛	6⅜	vjWhPit				45	8⅝	8½	8½	
41	14⅛	vjWPit pfB				z60	17¼	17¾	17¾	−¾
38	12½	vjWhPitpf				z120	15½	15¼	15¼	−¼
49½	36½	Whirlpl	2	4.6	9	235	44⅜	43½	44⅛	+⅛
32½	24⅛	WhitC	1.50	5.2		172	27¼	26⅝	27	+⅜
41¼	36⅝	WhitC pfC	5	7.3		2	41	40¾	41	+¼
30⅛	17⅝	Whitehl			12	258	u30⅞	29¾	30¾	+⅞
25½	14½	Whittak	.60	2.5	10	371	24¼	24	24	−⅜
12¼	5⅜	Wiebldt		4.4		105	10	9½	10	+¼
14⅞	8	Wilfrd n			12	83	12⅜	12¼	12⅜	+⅛
51⅞	22¾	William	1.40	4.7	7	1213	29⅝	29	29½	
3	2	WilmEl				354	5	4⅞	5	
8⅞	6⅛	WilshrO	.12	1.5	15	73	7	6¾	6¾	−⅛
36⅛	25¾	WinDix	1.68	4.8	14	117	u36½	35½	36½	+¾
20⅞	7¾	Winnbg	.20	1.5	11	1116	13¾	13¼	13½	+¼
13⅜	5⅛	Winner			44	37	7⅜	7	7	−⅜
7¾	3¾	WinterJ				13	6½	6¼	6¼	−¼
36⅛	25⅝	WiscEP	2.48	6.7	2	1304	u37	36	36⅞	+⅞
26	23⅛	WisG pf	2.55	10.		1	25¼	25¼	25¼	
35⅝	25¾	WiscPL	2.64	7.4	8	59	35⅝	35½	35½	+¼
36¼	25½	WiscPS	2.56	7.2	2	42	u36½	36⅛	36½	+¼
40½	27⅝	Witco	1.48	4.3	2	158	34¾	34⅛	34½	
15¼	9½	WolvrW	.24	2.3	3	88	10½	10⅜	10⅜	
25⅞	18⅝	WoodPt	.80	0.8	14	52	22¼	22	22⅛	
45⅝	32	Wolwth	2	4.3	16	6547	u46½	44⅞	46¼	+1
63¾	46½	Wolw pf	2.20	3.4		4	u64	64	64	+½
4⅝	2⅜	WrldAr				17	4	3⅞	4	+⅛
64½	48	Wrigly	1.80a	2.8	12	184	u65¾	65¼	65⅜	+⅞
18	10¾	WylelL s	.32	2.2	10	159	11¼	11	11	−⅛
23⅜	17	Wynns	.80	3.8	7	22	18⅛	17⅞	18⅛	
		X Y Z								
49½	33¼	Xerox	3	6.0	21	5383	u50⅛	48⅞	50	+1¼
53⅛	45¼	Xerox pf	5.45	10.		22	53½	53⅜	53½	
30	24	ZaleCp	1.32	4.7	0	81	28	28	28	
24⅝	12¾	Zapata	.34	6.3	25	899	12⅞	d12⅝	12⅞	+⅛
68¾	32	Zayre	.40b	.6	17	1884	u70¼	68	70¼	+2
52	24	Zayre wi				7	u53	52½	53	+1
30	18⅛	ZenithE			6	896	21¾	21¼	21½	+¼
21⅞	14¾	Zero s	.32	1.7	18	118	18⅜	18¼	18⅜	+⅛
31⅝	21⅞	Zurmin	1.32	4.6	12	363	u32⅞	31⅜	32¾	+1⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, May 17

Continued on Page 23

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 21

CANADA

TORONTO

Closing prices May 17

MONTREAL

Closing prices May 17

BELGIUM/LUXEMBOURG

1985 High	Low	May 16	Price Frs.
1,945	1,750	B.B.L.	1,943
6,200	5,450	Banq. Int. A. Lux	6,000
5,940	4,380	Bekaert B.	5,500
2,700	2,350	Ciment CBR	2,400
287	221	Cockerill	252
8,650	5,560	Delhaize	8,550
3,140	2,770	EBES	2,820
8,700	8,000	Electrobel	8,610
2,220	1,885	Fabrique Nat	1,885
5,460	2,855	GB Inno BM	3,125
2,005	1,210	GBL (Brux)	1,015
4,330	3,575	Gevaert	5,635
6,120	5,320	Hoboken	5,500
2,305	2,025	Intercom	2,250
8,650	7,620	Kredietbank	8,610
11,900	8,700	Pan Hldgs	11,000
7,250	6,500	Petrofina	5,625
12,600	10,050	Royale Belge	11,760
5,480	5,030	Soc. Gen. Banq	5,290
9,090	1,615	Soc Gen. Belge	1,230
8,010	5,770	Sofina	6,210
4,900	3,825	Solvay	4,650
1,658	1,450	Stanwick Intl.	1,540
4,350	3,750	Tractionel	3,905
6,420	4,600	UCB	4,926
3,080	2,005	Wagon Lits	3,045

FRANCE

1985 High	Low	Apr. 17	Price Frs.
1,775	1,690	Emprunt 4½% 1973	1,665
8,629.9	7,665	Emprunt 7% 1973	8,300
290	235.2	Accor	273.5
652	546	Air Liquide	647

GERMANY

NORWAY

ITALY

NETHERLANDS

AUSTRIA

DENMARK

HONG KONG

1985 High	Low	May 17	Price H.K.$
27.8	21.4	Bank East Asia	27.9
17.7	10.6	Cheung Kong	17.1
16.5	12.3	China Light	16.6
1.6	0.81	Evergo	0.81
54	45.6	Hang Seng Bank	54.0
8.6	6.66	HK Electric	8.5
6.68	6.16	HK Kowloon Wh.	6.55
6.05	3.82	HK Land	6.00
8.6	7.35	HK Shanghai Bk.	8.4xa
99	49.75	HK Telephone	99
24.7	18.6	Hutchison Wpa.	24.8
16.5	8.05	Jardine Math	11.7
7.60	6.1	New World Dev	7.25
2.75	2.16	Orient O'seas	2.17
6.40	3.52	O'seas Trust Bnk	3.2
15	7.8	S.HK Props.	12.3
2.05	1.31	Shell Elect.	1.38
25.5	20.6	Swire Pac A.	24.5
7.2	5.1	TV-B	7.2
7.40	6.91	Wheel'k Mard A.	7.25
1.16	1.10	Wheel'k Maritime	1.10
2.7	1.60	World Int. H'ldgs	2.19

AUSTRALIA

1985 High	Low	May 17	Price Aust.
5.25	4.55	ANZ Group	4.8
1.10	1.05	Alliance Oil Dev.	1.06
2.11	1.75	Ampol Pet.	1.82
1.05	0.76	Ashton	0.98
2.4	1.88	Aust. Cons. Ind.	2.66
5.4	2.66	Aust Guarantee	2.8
6.0	2.42	Aust. Nat. Inds.	2.86

SINGAPORE

SWITZERLAND

SWEDEN

SOUTH AFRICA

JAPAN

1985 High	Low	May 18	Price Yen
1,190	1,040	Ajinomoto	1,070
2,097	1,630	Alps Electric	1,670
1,134	937	Amada	995
1,010	821	Asahi Chem.	1,000
528	850	Asahi Glass	869
560	600	Bridgestone	615
1,480	1,180	Canon	1,230
2,060	1,670	Casio Comp.	1,870
1,260	1,000	Chugai Pharm.	1,050
596	471	Citizen	475
700	605	Daiei	675
1,070	925	Dai Nippon Ptg.	1,020
630	552	Daiwa House	630
494	429	Ebara	420
2,002	1,183	Eisai	1,400
9,300	7,190	Fanuc	8,760
1,680	1,290	Fuji Bank	1,560
1,960	1,660	Fuji Film	1,840
1,320	260	Fujisawa	966
1,260	1,060	Fujitsu	1,090
6,540	1,600	Green Cross	2,690
402	352	Hasegawa	416
943	577	Heiwa Real Est.	870
895	770	Hitachi	780
1,210	1,050	Hitachi Credit	1,110
1,550	1,210	Honda	1,330
728	680	House Food	725
2,460	2,060	Hoya	2,120
881	623	Itoh (C)	373
2,790	2,270	Ito-Yokado	2,660
1,480	940	Iwatsu	940
853	516	JACCS	336
7,200	4,860	JAL	7,190
788	650	Jusco	788
314	269	Kajima	306
840	724	Kao Soap	840

SPAIN

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

هكذا من الأصل

TELEPHONE — he has gone for the big one— times later. he is nothing less indispensable

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 22

Indices

NEW YORK — DOW JONES

	May 17	May 16	May 15	May 14	May 13	1985 High	1985 Low	Since Compil'n High	Since Compil'n Low
♦Industri'ls	1285.34	1276.06	1273.52	1275.39	1277.50	1289.58 (1/5)	1184.96 (4/1)	1299.36 (1/5/85)	41.22 (2/7/32)
H'me Bnds	75.85	76.74	76.27	76.21	75.86	76.74 (15/5)	72.27 (28/8)	—	—
Transport	622.86	627.86	611.18	609.72	617.36	658.30 (1/5)	588.05 (8/1)	588.30 (1/5/85)	12.32 (8/7/32)
Utilities	164.76	161.83	259.21	158.65	258.85	164.78 (17/5)	246.54 (4/1)	264.76 (17/5/85)	20.5 (28/4/42)
TradingVol 000-1	124,880	99,420	106,120	97,360	88,830	—	—	—	—

♦Day's High 1298.83 (1288.11) low 1271.49 (1270.10)

	May 10	May 3	Apr. 26	year ago (approx)
Industrial div. yield %	4.81	4.90	4.79	4.78

STANDARD AND POORS

	May 17	May 16	May 15	May 14	May 13	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls	206.96	205.27	204.20	203.49	204.69	206.96 (17/5)	182.24 (4/1)	206.96 (17/5/85)	8.62 (30/6/32)
Comp's'te	187.42	185.88	184.54	184.81	184.81	187.42 (17/5)	165.68 (4/1)	187.42 (17/5/85)	4.40 (1/6/32)

	May 1	Apr. 24	Apr. 17	year ago (approx)
Industrial div. yield	5.93	6.84	8.86	3.98
Industrial P/E ratio	12.20	11.28	12.27	12.49
Long Gov. Bond yield	11.55	11.36	11.28	12.84

N.Y.S.E. ALL COMMON

May 27	May 16	May 15	May 24	1985 High	1985 Low
108.48	107.50	106.87	108.49	108.48 (17/5)	94.60 (4/1)

Rises and Falls

	May 17	May 16	May 15
Issues Traded	2,019	2,001	1,991
Rises	1,244	1,009	942
Falls	441	556	586
Unchanged	434	437	463
New Highs	301	219	165
New Lows	16	10	18

TORONTO

	May 17	May 16	May 15	May 14	1985 High	1985 Low
Metals & Minerals	2940.9	2818.9	1987.6	2818.8	9190.07 (15/2)	1996.6 (4/1)
Composite	2723.2	2705.9	2672.2	2680.5	2723.9 (17/5)	2348.5 (8/1)
MONTREAL Portfolio	134.11	133.11	161.12	138.86	134.11 (17/5)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Uncal	4,060,000	46	−½
Niag Mowk	2,217,000	20¾	+⅛
ATT	2,004,700	20¾	+⅛
Sperry	1,970,800	54¾	+¾
LTV	1,611,900	7⅞	−⅜
Hosp. CP. Am	1,578,900	42⅞	−⅞
Pan Am	1,447,000	5⅞	+⅛
Signal	1,407,200	40⅞	+⅜
IBM	1,343,700	130¾	+1⅜
Dow Chemical	1,318,400	32⅝	+½

	May 17	May 16	May 15	May 14	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	900.7	902.7	895.3	890.4	902.7 (16/5)	715.8 (7/1)
Metals & Minls. (1/1/80)	578.2	582.8	575.8	578.8	582.0 (16/5)	362.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	95.68	(c)	95.81	94.85	95.38 (16/5)	58.21 (24/1)
BELGIUM Brussels SE (1/1/80)	(c)	(c)	2767.72	2228.27	2310.06 (15/5)	2050.7 (16/1)
DENMARK Copenhagen SE (3/1/83)	189.01	(c)	187.15	185.75	192.70 (24/4)	158.44 (8/1)
FRANCE CAC General (31/12/82)	221.1	(c)	221.9	220.7	221.9 (15/5)	180.8 (3/1)
Ind Tendance (28/12/84)	125.8	(c)	126.1	121.8	125.2 (17/5)	100.1 (8/1)
GERMANY FAZ Aktien (31/12/58)	432.35	(c)	431.89	432.57	432.57 (14/5)	382.38 (3/1)
Commerzbank (1/12/53)	1264.7	(c)	1,262.9	1263.8	1264.7 (17/5)	1111.6 (3/1)
HONG KONG Hang Seng Bank (31/7/64)	1647.88	1655.88	1,612.61	1615.00	1647.88 (17/5)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	317.51	316.42	314.24	305.87	317.51 (17/5)	228.58 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12419.9	12589.8	12558.0	12504.2	12698.3 (8/4)	11545.2 (5/1)
Tokyo SE New (4/1/68)	974.85	988.08	967.87	978.95	1006.96 (22/3)	916.93 (4/1)
NETHERLANDS ANP-CBS General (1970)	207.6	(c)	208.1	207.9	215.8 (6/5)	185.9 (3/1)
ANP-CBS Indust (1970)	171.1	(c)	171.6	171.8	175.8 (7/5)	147.8 (1/1)
NORWAY Oslo SE (4/1/83)	(c)	(c)	332.37	332.27	346.6 (8/2)	288.18 (2/1)
SINGAPORE Straits Times (1966)	822.38	825.62	814.32	804.24	852.65 (7/3)	764.38 (18/1)
SOUTH AFRICA JSE Gold (28/9/78)	—	(c)	—	1109.4	1149.8 (15/4)	838.1 (11/2)
JSE Indust (28/9/78)	—	(c)	—	954.7	954.7 (14/5)	767.1 (7/3)
SPAIN Madrid SE (28/12/84)	110.99	111.41	(c)	111.46	117.4 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (11/58)	1481.95	(c)	1,504.19	1408.94	1488.88 (11/2)	1381.60 (2/1)
SWITZERLAND SwissBank Cpn. (31/12/58)	451.1	(c)	429.8	461.4	455.8 (13/5)	398.7 (3/1)
WORLD Capital Intl. (1/1/70)	207.8	207.6	—	207.8	207.8 (17/5)	184.6 (4/1)

** Saturday May 11: Japan Nikkei-Dow (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CONSTRUCTION CONTRACTS

Roardworks for Shephard

SHEPHARD HILL has been awarded two contracts for road and bridgeworks totalling £3.7m. The first, worth £1.82m, for Surrey County Council is the A324 Goldsworth Park Road Relief Road, Woking, and involves ½-mile of single carriageway together with a reinforced concrete bridge supported on reinforced earth abutments to cross the Basingstoke Canal. The second has been awarded by the Welsh Office for the reconstruction of the Taf Fawr Bridge on the A465 Heads of the Valley Road near Merthyr Tydfil. Shephard Hill's successful bid of £1.88m employed an alternative design for completely demolishing the existing deck and building a new balanced cantilever prestressed concrete superstructure as opposed to the original proposals for only part dismantling and rebuilding of the 20-year-old bridge that has become badly cracked.

Artist's impression shows the external Carrefour entrance at the western end of the glass-covered shopping mall

£50m Gateshead Metrocentre

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

Mayfair-based contractor RUSH & TOMPKINS has won a £50m contract to design and build the first stage of the Gateshead Metrocentre shopping complex in Tyneside, and is now hoping to negotiate a £25m contract for the second phase.

The Metrocentre is the brainchild of developer Mr John Hall of Cameron Hall Developments, a self-styled champion of the north east."

It is being built on the site of the former ash tip for Dunston power station in the Cross Lane Enterprise Zone.

When completed the complex could provide up to 5,000 jobs, provided a proposed third phase, including a hotel and business park, goes ahead.

Now under construction, the first section consists of a 1,600 ft-long glass-covered shopping mall with a 150,000 sq ft Marks and Spencer store at one end and a 110,000 sq ft Carrefour supermarket at the other. There will be 130 shops, including three department stores, along the mall in between.

The whole of the first section is expected to be completed by November 1986, while the second section is scheduled to be completed in 1987. The plan has not yet been finalised but will include 750,000 sq ft of shops and leisure facilities, including one major store which has already been let to C&A.

Included in a possible third phase of the development are an hotel and business park. This is being planned for an adjacent site—an old National Coal Board marshalling yard—although this has not yet been purchased by the developer.

The Metrocentre contract is being carried out by Rush and Tompkins' Newcastle office.

Marples to build airport

MARPLES INTERNATIONAL has been advised that it is to be awarded a £10m contract to construct an airport in the Republic of Cameroon, West Africa. The order includes construction of a 2,500-mtre runway able to accommodate Boeing 737 aircraft, a control tower, radio room, fire station and generating station. It also includes provision of navigational and control equipment and runway lighting. The new airport, one of several regional airports planned in the country, is at Bafoussam, provincial capital of the Western Province. Marples International has formed a local company—Marples International Cameroon.

*

A contract to supply valves worth 670,000 Cyprus pounds (£875,000) for the largest irrigation project in Cyprus, has been signed between the water development department and GLENFIELD, part of the Dorking-based Biwater Group. The valves will be used for the main pipeline connecting the Kourris Dam and Kokkinokhoria, a potato-growing area in the southeastern part of the island.

*

TELE-TAPE VIDEO has won a £1m order to equip 200 National Westminster Bank Saturday branches with video systems to promote customer services. The systems will be used to give advice and information on the bank's consumer financial services. Each branch will have a centrally-sited U-matic professional video recorder relaying the programmes to a number of Sony TV monitors fixed permanently in the bank wall. BBC and ITV programmes can also be broadcast. All functions are controlled centrally.

INSURANCE

Lloyd's troubles may spur reforms

BY JOHN MOORE, CITY CORRESPONDENT

THE LATEST troubles to surface in the Lloyd's insurance market, with a group of underwriting members facing losses of £130m, could lead to a re-examination of the contractual arrangements between underwriting members and the managers of their affairs.

All members joining Lloyd's have to sign an underwriting agency agreement, which establishes a legal relationship between the underwriting members and their underwriting agents. Until recently there was no rule laying down what topics each agency agreement should cover or what terms the agreement should or should not contain.

The form and content of the agreements were left to the individual parties, though in practice those terms were dictated by the agent.

In March Lloyd's introduced a standard underwriting agency agreement, the terms of which are established under by-laws backed by Lloyd's statutory powers.

However, in the light of the latest troubles, the new agency agreement is already causing controversy.

In 1980, when Sir Henry Fisher, the former High Court judge, concluded his review of Lloyd's self-regulatory framework he urged that underwriting agents should have a more direct involvement in the performance of individual underwriting syndicates into which Lloyd's members are grouped.

Agency companies are remunerated by commissions on profits from syndicates but take no share of the losses. In a bad year they may make no profit commission but under the terms of the agreement their remuneration is not linked to underlying underwriting losses.

Sir Henry also observed that it was quite possible for the agency agreement to be drawn up in such a way that the agency is guaranteed its commission on such things as investment income and capital appreciation. The underwriting member may suffer very substantial losses on pure underwriting far exceeding any investment income or capital appreciation due to him.

The working party said: "We considered that it should be mandatory for every agreement to contain a deficit clause." The conclusions of a task group at Lloyd's on the question of incorporating such a clause were lukewarm.

"If the Lloyd's ruling council, it said, interposed itself between the underwriting member and the agent, in the matter of the terms of business arrived at between them, "the result might well be the distortion and general re-negotiation of terms of business."

In effect, the task group was saying that the profit commissions for the syndicates might rise substantially to take account of the new risk that the agency was runnnig.

Agents argued that since many agency staff were often underwriting members of the same syndicates that their agency companies managed there was a sufficient involvement in the fortunes of the other underwriting members.

So the new standard agreement published this year included no deficit clause.

The agreement has caused controversy in other respects. Any dispute between the agent and the underwriting member has to be referred to arbitrators appointed by the chairman or deputy chairman of Lloyd's.

Any possibility of legal action against the underwriting agent over the handling of the underwriting members' affairs is effectively removed.

Meanwhile the ruling council has approved the establishment of four working groups to produce recommendations for the regulation of Lloyd's insurance brokers which are to be detailed in a consultative document.

Lloyd's said that its objectives are: "to protect Lloyd's names from being brought into disrepute by the activities of the Lloyd's broker itself or its related companies; to monitor the financial stability of the Lloyd's broker itself; to ensure that administrative work, much of which is done on behalf of Lloyd's underwriters, is properly carried out; and to ensure that those individuals who place business with Lloyd's underwriters are fit and proper people."

The document will be issued in October and rules will be introduced in a year's time, according to Lloyd's.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ounsl, Friendly House, 21-24 Chiswell Street, EC, 12.00
Elbar Industrial, Institute of Directors, 116 Pall Mall, SW, 12.00
Fortnum and Mason, Bowater House, 68 Knightsbridge, SW, 10.30
Leisuretime Intnl, 30 City Road, EC, 11.00
Savoy Hotel, Savoy Hotel, WC, 12.00

BOARD MEETINGS—
Finals:
Associated British Foods
Cakebread Robey
Goldsmiths
Ivory & Sime
Nu-Swift Inds
Personal Assets Tst
Interims:
Australia & New Zealand Banking
Brooke Tool Engineering
Cramphorn
Craton Lodge & Knight
Crystalate
Hoggett Bowers
Radio City (Sound of Merseyside)

DIVIDEND & INTEREST PAYMENTS—
Alida Hldgs 2.5p
Banco Nacional De Mexico Fltg Rate Cap Notes 1987 $53.08
Beazer (C. H.) (Hldgs) 4p
Birmingham District Council 13½pc 1989 6¾pc
Caterpillar Tractor 12.5 cts
Collins (William) 9p. A (N-vtg) 9p
Combined Intnl Corpn 54 cts
Co-operative Bank Fltg Rate Cap Notes 1986 $53.08
Druck Hldgs 1.5p
European Assets Trust Reg Fl 0.06, Br Fl 0.06
Exchequer 12pc 1998 6pc
Frindland Doggart Group 4.45p
HB Electronic Components 0.75p
Kleinwort Benson Finance Gtd Fltg Rate Notes 1991 $117.19
Kode Intnl 6.5p
Leumi Intnl Investa Gtd Fltg Rate Notes 1985 $53.08
Linread 0.5p
Lloydstrust Gilt Fund Pf 31p
Manufacturers Hanover Trust Fltg Rate Cap Notes 1994 £171.45
Merchants Trust 1.7p
Metal Closures Group 4.5p
Morgan (J. P.) Intnl Fltg Rate Notes 1997 232.01 cts
Murray Growth Trust 0.4p
Oesterreichische Kontrollbank Fltg Rate Notes 1986 $262.26
Petrocon Group 3.5p
Premier Grp Hldgs Fltg Rate Nts 1989 $19.97cts
Security Pacific Corp 33.5cts
Sharna Ware 1.5531p
Silkolene Lubricants 6p
Standard Chartered Finance Gtd Fltg Rate Nts 1991 $524.51
Sweden (Kingdom of) Fltg Rate Nts 2003 $527.67
Treasury 2½pc IL 2003 £1.4302
Treasury 2½pc IL 2009 £1.4302
Wereldhave NV Beleggings Fl 5.25

TOMORROW

COMPANY MEETINGS—
Alexandra Workwear, Howard Hotel, Temple Place, Strand, WC, 12.00
Associated Book Publishers, 11, New Fetter Lane, EC, 12.00
Associated British Ports, Ironmongers Hall, Aldersgate Street, EC, 12.00
Asbury & Madeley, Finch Road, Lozells, Birmingham, 12.00
Brook Street Bureau, Chartered Accountants Hall, Moorgate Place, EC, 12.15
Brown Boveri Kent, Biscot Road, Luton, 12.00
Connells Estate Agents, Holiday Inn, 3, Berkeley Street, W, 11.30
Eastern Produce, Sir John Lyon House, 5, High Timber Street, EC, 12.00
Estates & General Invs, Claridges Hotel, Brook Street, W, 5.00
Falcon Inds, Butchers Hall, Bartholomew Close, EC, 12.00
Fisons, Merchant Taylors Hall, 30, Threadneedle Street, EC, 11.00
IMI, Midland Hotel, New Street, Birmingham, 12.00
London & Scottish Marine Oil, Barbican Centre, Barbican, EC, 11.00
Macfarlane Group, Merchants House, 7, West George Street, Glasgow, 12.00
Ocean Transport & Trading, India Buildings, Liverpool, 2.15
Scott & Robertson, 96, Port Glasgow Road, Greenock, 12.00
Trade Indemnity, Trade Indemnity House, 12-34, Great Eastern Street, EC, 12.00

BOARD MEETINGS—
Finals:
British & American Film
British-Borneo Petroleum Syndicate
Comprehensive Financial Services
Compsoft
Fine Art Developments
Gartmore American Securities
Gerrard & National
Lanca
Monks Inv Tst
Sainsbury (J.)
United Friendly Insurance
Interims:
Aspinall Hldgs
Bibby (J.)
City Site Estates
Greenall Whitley
Howard Group
Johnson & Firth Brown
Ranks Hovis McDougall
Spencer Clark Metal Inds

DIVIDEND & INTEREST PAYMENTS—
Bank of Tokyo Gtd Fltg Rate Nts 1990 $172.97
Commerzbank Overseas Fin Fltg Rate Nts 1989 $225.59
Duncan (Walter) & Goodricke 12p
Exchequer 2½pc 1986 1¼pc
First Chicago Overseas Fin Gtd Fltg Rate Subord Nts 1994 $230.23
Greenbank Ind Hldgs 1.3p
Ibstock Johnsen 5.5p
Jacobs (John I.) 2.1p
New Brunswick Fltg Rate Nts May 1994 C$26.38
Savoy Hotel A 2.5p
Do. 0 1.25p
Sea Containers 10.5cts
Security Pacific Corp Fltg Rate Subord Cap Nts 1997 $226.68
Smith & Nephew 3.15p
Trade Indemnity 4.688p
Treasury 3pc 1985 1½pc
Treasury 12½pc 2003-05 6¼pc

WEDNESDAY, MAY 22

COMPANY MEETINGS—
Bemrose Corp, Stationers Hall, Ave Maria Lane, EC, 11.45
Berkeley Exploration, May Fair Hotel, Stratton Street, W, 11.00
Blackwood Hodge, Connaught Rooms, Great Queen Street, WC, 10.00
Christie's Intnl, 8, King Street, St James, SW, 12.00
Croda Intnl, Standard Soap Co Ltd, Derby Road, Ashby-de-la-Zouch, Leics, 12.30
English & Scottish Investors, 2, St Mary Axe EC, 2.30
Jamesons Chocolates, Willoughby Lane, Tottenham, N, 2.30
Metalrax Group, Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45
Moss Bros, 21-26, Bedford Street, Covent Garden, WC, 12.00
Neill (James) Hldgs, Napier Street, Sheffield, 12.00
Northern Engineering Inds, Gosforth Park Hotel, Newcastle upon Tyne, 12.00
Planet Group, Excelsior Hotel, Coventry Road, Birmingham, 12.00
Rockware Group, Great Eastern Hotel, Liverpool Street, EC, 12.00
Shell Transport & Trading, Shell Centre, SE, 11.30
Slough Estates, Savoy Hotel, Strand, WC, 2.30
Stag Furniture, Albany Hotel, Nottingham, 11.00
Sun Life Assurance, 107, Cheapside, EC, 12.30
Tove & Co, Connaught Rooms, Great Queen Street, WC, 12.00
Wood (Arthur), Bradwell Works, Longport, Stoke-on-Trent, 12.00

BOARD MEETINGS—
Finals:
Allied Irish Banks
Buckleys Brewery
Chamberlin & Hill
Channel Tunnel Invs
Clarke Nickolls & Coombs
Jersey General Inv Tst
Kingsley & Forester
Parkland Textile
Rolfe & Nolan Computer Services
Whitbread
York Mount
Interims:
Avon Rubber
Bass
Guinness Peat
Management Agency & Music
Scottish Inv Tst
Williams (John) of Cardiff

DIVIDEND & INTEREST PAYMENTS—
Armstrong Equipment 0.3p
Associated Book Publishers 6.25p
Conversion 10¼pc 1999 5⅛pc
European Inv Bk 10¼pc Ln 2004 £4.5226
Exchequer 12¼pc 1985 6⅛pc
GT Dollar Fund 15.75cts
Jamesons Chocolates 3p
Jantar 2.5p
London & Scottish Marine Oil 7.7p
Mackay (Hugh) 3.2p
Macfarlane Group 2.475p
Merrill Lynch 20cts
Pressac Hldgs 0.7p
Stockholders Far East Inv Inc 3.15cts
Systems Designers Intnl 1.2p
Treasury 2½pc IL Cnv 1999 £1.3762
Treasury 14pc 1998-2001 7pc
Tyzack (W. A.) 0.6p
Wood (Arthur) 3.5p (23/5)

THURSDAY, MAY 23

COMPANY MEETINGS—
BSR Intnl, Cavendish Conference Centre, 30, Duchess Mews, W, 11.00
Boosey & Hawkes, Portman Intercontinental Hotel, 22, Portman Square, W, 12.00
Clayton (Hldgs), Hotel Metropole, Leeds, 2.00
F. & C. Pacific Inv Tst, 1, Laurence Pountney Hill, EC, 12.00
Henara, Honourable Artillery Company, Armoury House, City Road, EC, 10.00
Horizon Travel, Grand Hotel, Colmore Row, Birmingham, 2.30
Jerome (S.), Post House, Bramhope, 12.30
Lawrence (Walter), Lawrence Social Hall, Sheering Mill Lane, Sawbridgeworth, Herts, 12.00
London & Manchester Group, Ironmongers Hall, Shaftesbury Place, Barbican, EC, 2.30
MCD Group, Stone Manor Hotel, Kidderminster, 12.00
Marshall (Thomas) (Loxley), Tapton Masonic Hall, Shore Lane, Sheffield, 12.00
Morrison (Wm.) Supermarkets, Hilmore House, Thornton Road, Bradford, 11.00
Newarthill, Bonnington Hotel, 92, Southampton Row, WC, 12.30
Petranol, Brown Shipley & Co, Founders Court, Lothbury, EC, 11.30
Robinson (Thomas), Railway Works, Rochdale, 12.00
Sharpe & Fisher, Pittville Pump Room, Evesham Road, Cheltenham, 12.00
Stewart Wrightson, Baltic Exchange, 14-20, St Mary Axe, EC, 12.00
Thurgar Bardex, Telford Way, Kettering, 11.30
Weir Group, Merchants Hall, 30, George Square, Glasgow, 12.00

BOARD MEETINGS—
Finals:
Aberfoyle Hldgs
Cater Allen
Deritend Stamping
Goldberg (A.)
Hambros Inv Tst
Hill (Philip) Inv Tst
Milletts Leisure Shops
Plessey
Sandhurst Marketing
Toshiba
Young & Co's Brewery
Interims:
Albion
Cronite
Devenish (J. A.)
Gomme
Higsons Brewery
Kelsey Inds
Maynards
Morland
Northern Industrial Improvement Tst
RHP
United Scientific

DIVIDEND & INTEREST PAYMENTS—
Arcolectric (Hldgs) 0.4p
Do. A NV 0.4p
Automotive Products 0.5p
Banco De La Prov De Buenos Aires Fltg Rate Nts 1988 $257.67
Christies Intnl 6p
Clayton (Hldgs) 6p
Connells Estate Agents 2.5p
Fogarty 2.42p
Great Northern Telegraph DKr 21.6
Jersey Electricity A 11pc
Lyon & Lyon 4p
McLaughlin & Harvey 5p
Minerals Oils & Res Shs Fund 16cts
Queens Moat Houses 0.665p
Staffordshire Potteries 1p
Steel Burrill Jones Group 6p
Sunderland (Borough of) 11¼pc Red 2008 5⅝pc
Thurgar Bardex 0.2p
Trans-Oceanic Tst 1.2p
Treasury 13¼pc Ln 1993 6⅝pc
Trinidad & Tobago 12¼pc Ln 2009 6⅛pc (24/5)

FRIDAY, MAY 24

COMPANY MEETINGS—
Babcock Intnl, Over-Seas House, Park Place, St James Street, SW, 12.30
Baird (William), Hospitality Inn, Cambridge Street, Glasgow, 12.00
Benford Concrete Machinery, The Case, Warwick, 12.00
Burmah Oil, Hospitality Inn, Cambridge Street, Glasgow, 11.30
Coats Patons, Merchants Hall, 30, George Square, Glasgow, 12.00
Comcap, Institute of Directors, 116, Pall Mall, SW, 11.30
Cookson Group, Pewterers Hall, Oat Lane, EC, 12.00
Grattan, Norfolk Gardens Hotel, Bradford, 11.30
Octopus Publishing, 59, Grosvenor Street, W, 12.00
Pantherella, Grand Hotel, Leicester, 12.15
Relyon Group, Wellington, Somerset
Sparrow (G. W.), Lansdown Grove Hotel, Bath, 12.00

BOARD MEETINGS—
Finals:
Castings
Macdonald Martin Distilleries
Prince of Wales Hotels
Samuel (H.)
Interims:
Adam Leisure
Cambrian & General Securities

DIVIDEND & INTEREST PAYMENTS—
Assam-Dooars Hldgs 9p
Barratt Developments 2.31p
Bemrose Corp 1p
Benford Concrete Machinery 2.75p
Bibby (J.) 3.55p
Breedon & Cloud Hill Lime Works 6.5p
British Dredging 1.5p
British Empire Sec & General Tst 0.2p
Clay (Richard) 2.45p
Close Brothers 3.625p
Eaton Corp 35cts
Ex-Lands 0.6p
F. & C. Pacific Inv Tst 2.25p
Home Charm Group 1.75p
Home Counties Newspapers Hldgs 4.75p
IMI 2.5p
Italy (Rep of) Fltg Rate Nts 2005 $70.31
Jerome (S.) 2.13p
Lloyds Eurofinance Gtd Fltg Rate Nts 1996 £173.29
Malakoff Berhad 10cts
Memec 1.675p
Morrison (Wm) Supermarkets 1.65p
Murray Ventures 1.5p
Nationwide Leisure 0.5p
Neill (James) Hldgs 3.25p
Nichols (J. N.) (Vimto) 2.75p
Petranol 1p
Rotork 2.4p
Royal Bk of Canada 50cts
Sime Darby Berhad 4sen
Stag Furniture Hldgs 1p
Supra Group 1.25p
Television South West Hldgs 0.55p
Tofox 28cts
Tyzack Turner 1p
Walker & Homer Group 0.2p
Weir Group 2.125p
Western Dooars Tea Hldgs 6p
Western Dooars Tea Hldgs 6p (26/5)

SATURDAY, MAY 25

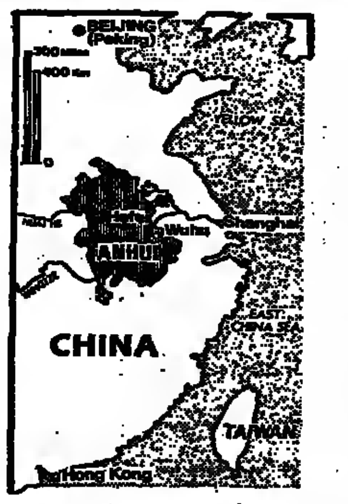
DIVIDEND & INTEREST PAYMENTS—
Aluminum Co of America 30cts
Brent Chemicals Intnl 2.75p

FINANCIAL TIMES SURVEY

Monday May 20 1985

Anhui Province

The inland province of Anhui, straddling two of China's major waterways—the great Yangtze and the Huai—has an ancient reputation for being the poorest region in Eastern China. Now, however, provincial leaders are pressing ahead with ambitious plans to transform the region and to exploit its rich agricultural and minerals resources and thus bring greater prosperity to the province's 51m people.



IN THIS SURVEY

Looking for more foreign investors

DIVIDED by the Yangtse in the south and the Huai river in the north, Anhui Province is a land of rivers, canals and lakes, green fields and mountains. Surprisingly, *considering its geography,* it has been administered as one unit since the 17th century.

Lying upstream of Shanghai and Nanjing, the relative proximity (in Chinese terms) of these cities has *had little effect. Though it is rich in minerals, it remains* intensely rural.

By Colina MacDougall

Few Anhui people have gone abroad, so the province has little contact with the world's overseas Chinese community. The urban population is only about 10 per cent of the total 51m.

Traditionally, it is one of China's poorest provinces.

The countryside is thickly strewn with tiny hamlets. Manpower, water buffalo and the occasional donkey are the main motive force. Ducks and geese swim in droves on every waterway and in spring the fields are green with rice.

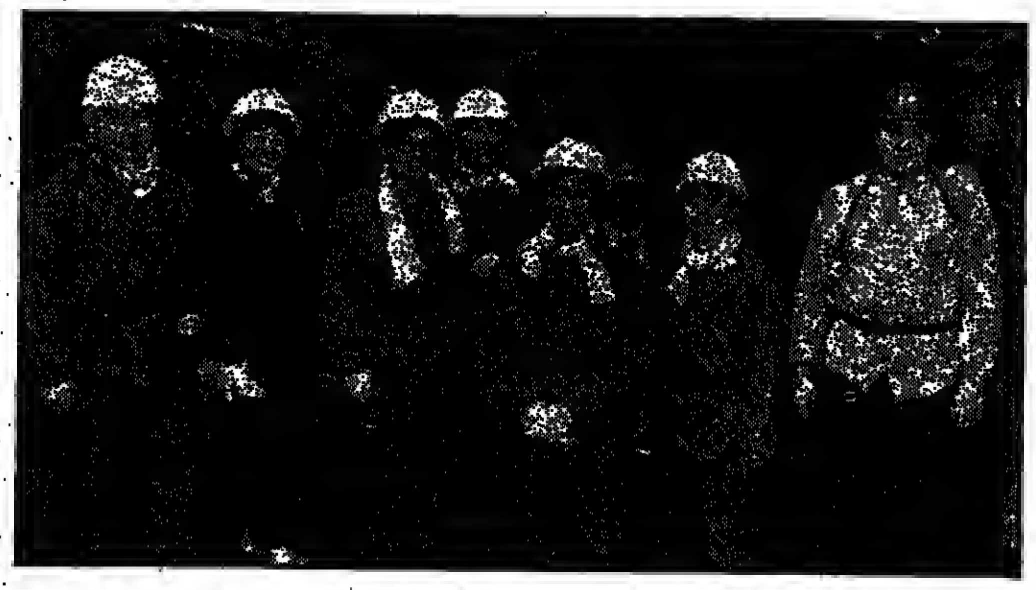
The provincial government is eager to change the rural image. Production, both industrial and farmyard, has rocketed since the Watershed Party meeting in 1978 at which China's top leader, Deng Xiaoping, launched the country's new flexible policies.

Foreign exports, with a growing percentage of industrial goods, bounced from around 40m U.S. dolars in 1980 to 240m last year.

Hefei, the provincial capital, *is a busy light-industrial town* of 800,000 people. Like most modern Chinese cities, it lacks distinguished buildings, but the arching trees, which the Chinese call the French wutong, provide a pleasant canopy over the streets. With its mild climate, the atmosphere is more relaxed than in north China, and the strains of 1950s pop music — especially Latin-American — emanate from loud-speakers and radios.

In the busy free markets of Hefei and Wuhu, among the T-shirts and jeans from fashionable Canton, private enterprise tailors at trestle tables will make a western suit for two yuan (one yuan equals 28p).

Behind them sit their assistants, runing up the seams on ancient sewing machines. Private business is booming—last year the profits from private rural activities were Yuan 585m, about four times that in 1978.



Anhui is a major source of China's coal. Miners, above, leave a shift at the Jie Xia Ji coal mine at Huainan

Anhui has begun to look for foreign investment. This year provincial leaders hope to sign at least eight joint ventures, on top of last year's three. Teams of Japanese, West Germans and even Danes have visited the province to explore the possibilities.

Jiangsu Province to the east has already attracted considerable foreign interest. It is relatively developed and boasts the highest per capita income in China. But neither it, nor Guangdong and Fujian, where most joint ventures have so far been set up, possess Anhui's valuable raw materials and energy resources.

In the north lie the Huaipei and Huainan coalfields, in the south-east a rich belt of iron ore that stretches along the Yangtse and up into Anhui. In these minerals the province ranks fifth in all China.

Tongling, on the southern bank of the Yangtse, is the country's sixth most important copper mine, while sulphur, alum and dozens of other resources abound.

In the south, the wet climate of central China favours rice and jute. In the drier north, farmers grow wheat, cotton and sorghum. The Yangtse and its canals provide waterways for transport while the railway connects it with Shanghai and Peking. There are a handful of adequate roads and a large but not very busy airport at Hefei.

Anhui's relative backwardness is partly due to its history. Catastrophic flooding from the Huai and the Yangtse until recently kept the farmers in abject poverty. It was a battleground both in the civil war and in the war against Japan. In the cultural revolution, the provincial army leaders strongly supported the Red Guards and their violent policies.

One measure of the local ferocity of the movement was the destruction then of around *four hundred Buddhist temples,* on the sacred mountain of Jiuhua, near Wuhu. People, too, were cruelly victimised. Only last March, Hefei Radio reported that the Anhui military had sent delegations to the major towns to apologise for their role in "seriously attacking" *senior officials of the time.*

Nor has the province been bypassed by more recent political movements. Unspecified "new unhealthy practices," defined elsewhere as speculation and black marketeering, have been strongly criticised, the radio said, by a leading local party official.

Some residue of Leftism still remains — "this attitude was formed over a long time," says Vice-Governor, Zhang Dawei. "You can't drop it quickly. For instance, changing from production to service industries is a difficult change to make.

"The conventional way of doing things is Leftist."

Historically, Anhui has suffered from lack of education. *Jiangsu* and *Zhejiang,* which adjoins it, developed earlier, with a richer culture and greater skills. This has only been partially remedied by a proliferation of colleges (including one of China's top universities, the Anhui University of Science and Technology), and there is a shortage of qualified people.

Yet the province has made good progress in the last few years. Agricultural and industrial output last year were worth respectively Yuan 16bn and Yuan 18bn, making average annual increases since 1978 of 8 per cent and 10 per cent. This year, in the first quarter, industrial growth was 30 per cent.

Bold plans for development

Average peasant income is still only around Yuan 300 a year. But the provincial Gov*ernment has ambitious plans to* change that. Vice Governor Song Ming told The Financial Times that she hopes to see a per capita income of $1,000 and a total output value of Yuan 134bn by the year 2,000.

This ambitious plan envisages:

1—Specialised production zones for grain, timber and cash crops.
2—Greater coal and power production, including mine-mouth power stations, and better transport,
3—More building materials, chemicals and metallurgical products,
4—Increased processing of foodstuffs and fodder,
5—More fertiliser and pesticide production, and
6—Better education, science and technology.

Specific plans include development of shipping on the Yangtse and of tourism at the mountain beauty spot, Huangshan. The automotive industry is also scheduled for a boost, with future stress on the manufacture of forklift trucks and cranes. A senior official said that discussions had already been held with British and West German companies.

At present, heavy and light industry produce about equal values, but it is light industry, plus agriculture, which fuels the province's sales abroad. Besides the main exports, textiles and cereals, a huge range of duck feathers, sausage casings, canned food, peppermint oil, rice paper, brushes and ink are distributed round the world.

Even aquatic products, an Anhui speciality, are proving a growing success.

"The export of shads, salangids, crabs, eels, paddyfield snails, shrimp meat, lotus seed and gorgon fruit is steadily on the rise," says Geng Shiwen, Vice Director of Anhui's Foreign Trade Bureau.

Foreign interest in Anhui has been fired. Before 1980, there were no equipment purchases, loans or investment from abroad. But in the years 1980 to 1984, the province drew in technology worth $154m and loans of $100m.

This included a major item, a cement plant from Japan for which Anhui borrowed $50m from Kuwait. Now it plans to spend another $100m on 200 new projects.

Last year the province began to look for joint equity ventures. At the provincial level, it is allowed by Peking to approve deals up to $5m, while some cities have powers to approve smaller contracts.

"We offer the same tax benefits as Shanghai," says Vice Director Geng, "but our land and materials will be much cheaper."

It could be worth exploring what Anhui has to offer.

ANHUI PROVINCE 2

Good potential for joint industrial ventures

"WE ARE an inland province, so we don't have all of the advantages that coastal provinces have"—that is the frank comment of Geng Shiwen, vice president of Anhui's Commission of Foreign Economic Relations and Trade.

"But we have our own advantages," he adds. "Natural resources, a good potential market, better than average supplies of energy, and low labour and land costs."

It is a view shared by Mr Nils Wilmsen, who heads Denmark's equivalent of the confederation of industry. While heading a major business delegation in Anhui early this month, he noted: "Lots of countries are competing to be involved in ventures in the coastal provinces, and if small countries like Denmark are always following the big countries, then we will always be behind. From our point of view there is a lot to be said for considering ventures here."

Anhui's most important natural resources are its coal, and its fertile soil. Neither were exploited effectively during the turbulent decades between 1960 and 1980 — indeed, the province was, until 1979, unable to feed itself, and relied on rice and wheat supplies from Peking. Still now, much of its industrial equipment dates back 30 years.

But under the programme of economic reforms being steamrollered across the country by Deng Xiaoping, plans to exploit these natural resources have given Anhui a critical part to play. Officials also highlight that the province is China's fifth largest supplier of iron ore, sixth most substantial producer of copper, and fifth most important cotton growing area.

Tha coalfields, based on the cities of Huainan and Huaibei in the north of the province, which are understood to he China's third largest, with reserves of about 22bn tons, are to be the feedstock for ambitious electricity generation projects.

Coal is to be used for fertilisers and pesticides, urgently needed to boost the country's agricultural productivity, as well as a wide ranga of industrial chemicals and medical products. By-prodncts are to be used for making cement and building materials.

In the agriculture sector—which still accounts for almost 90 per cent of Anhui's 51m population—the free-enterprise "responsibility system," formally introduced in 1979, has already transformed Anhui from a position of chronic food deficit to one of substantial surplus. Farmers are being encouraged to reduce the acreage committed to grains and shift to cash crops such as tobacco, cotton, rapeseed, jute and tea. Fish farming is also becoming increasingly important.

A wide range of rural industries are being built up with the dual aim of preventing surplus rural manpower from drifting into the cities, and of processing agricultural prodncts near to their source. This includes textiles, brewing, food and fish processing, and edible oil manufacture.

Confidence

While Anhui cannot offer all of the perks of the coastal provinces, Wen Baiheng, head of Hefei City's Economic Commission, was at pains to emphasise that the province does not fall far short. Joint ventures set up in the province's capital will be exempted tax for two years. They will pay just half the normal 55 per cent rate for a further three years, and no more than 30 per cent thereafter, he says.

Imported goods needed for manufacture will ba free of import tax, while the authority says it would exploit to the full its ability to provide land and labour at prices below those prevailing in places such as Shanghai or Guangdong.

Geng Shiwen adds: "Once the foreign exchange costs of a project have been covered, then joint venture partners can sell into the local market. Profits from domestic sales will be shared, and a foreign partner's share can be expatriated in foreign exchange."

The three criteria for offering attractive terms were straightforward, says Geng: output from a joint venture should have good export potential, should be badly needed in China, and the venture should introduce *new* and improved technologies.

Despite being an inland province, Anhui offers a prospective joint venture partner good water communications and adequate energy supplies.

The two rivers cutting the province—the Yangtze in the south and the Huai in the north—provide fast flowing arteries for the import of materials and the export of finished prodncts. Plans to link the two rivers by canal, and to improve the carrying capacity of the Huai river basin, are being negotiated in Peking, and would further aid river communications.

Road and rail communications inside the province remain rudimentary, and ambitious plans to improve them—with east-west, and north-south superhighways, and with the high-speed railway linking Peking with Guangzhou (Canton) which would cut through the west of the province—remain distant possibilities.

Another headacha for the province is the poverty of air communications. The reputation of China's national airline, CAAC, is very poor, and nowhere more so than when serving inland provinces. Heifei has six flights a week to and from Shainghai, and three linking it with Peking. Cancellations are frequent, and delays the norm.

On the positive side, potential investors can be more confident of adequate power supplies than in many of China's developing provinces. Local coal is used to generate thermal power, and by 1988, the first phase of the RMB 4bn Pinwei power plant—which will hsve an eventual capacity of 2,400 MW—should relieve pressures both locally and in the provinces around.

MAIN EXPORTS

(Figures in $m for 1984)

Textiles	52.61
Cereals/oils/foodstuffs	50.72
Animal by-products	41.57
Coal	24.19
Native products	23.26
Chemicals	19.70
Silk	12.84
Light industrial goods	5.72
Arts and crafts	4.65
Medical products	2.50
Others	6.0
Total	243.77

Potential foreign investors may in the short-term find the framework a venture somewhat uncertain—mainly because provincial governments have only recently been granted autonomous powers to negotiate joint ventures and promote foreign trade.

From a point in 1980 when Anhui had attracted negligible foreign investment, it has in the past four years launched 29 projects involving about $150m in foreign exchange. Most early investments were from Hong Kong, but more recently, investments hava come from Australia, the U.S., France, Italy, West Germany, Britain, and the Eastern Bloc.

The most significant recent deal is the Anli synthetic leather plant in Hefei, a joint venture between a Milan-based company and a local plastics factory.

With greater-than-usual self-awareness, Geng Shiwen comments: "Some large companies may prefer to invest in the small companies, inland provinces may offer more. We lack some advantages, but we make a lot of effort."

For many potential foreign investors daunted by the red tape involved with ventures in China, such a promise may count for much more than technical advantages available elsewhere.

David Dodwell

Top officials cut back on red tape

"I'M ONLY a nurse, not a doctor. Perhaps I'm a nurse for economic reform," quips Zheng Dawei, one of two Deputy Governors in Anhui to be plucked from industry during the past year to lead local economic reform. The doctors, of course, are Hu Yaobang and Zhao Ziyang, he adds.

This young (by Chinese standards) leader was born in Hefei province, but has spent a large slice of his career in Anhui, first heading the now-ageing chemical fertiliser plant in Huainan, and later moving to the more modern and vastly more productive fertiliser factory in Anqing.

He has a reticent air, rarely becoming animated as he talks—with a gravelly voice that ought to have been the product of a lifetime smoking raw local cigarettes. He sees his role as that of problem solver, applying "old experience" working in industry to the demands being made of China's moribund bureaucracies under the recently defined programmes for economic reform.

It seems odd to think of a Chinese industrial leader being swept up as a trouble shooter to shake up local government — Chinese industry is hardly a model of efficiency or dynamism—but that is without doubt how he is seen in Chinese eyes.

Controls

His partner in reform is the even more recently appointed Mrs Song Ming, a tiny and energetic technocrat who has spent 25 years of her working life in charge of planning in Anhui's Chemical Industry Bureau. She shifted to head np Anhui's Planning Commission in 1983, and was elevated to Deputy Governor just two months ago.

Working with Mrs Song, Zheng says he has reduced red tape in the Anhui Government Office, reducing the number of staff working there, and pressing into retirement those over 60.

Most important, he has turned upside down the relationship of the local Communist Party leadership to industry: "We used to control all aspects of industrial activity, but *now* we just give support. We have handed most of the decision making powers over to individual factory managers.

"We will help to supervise negotiations on foreign ventures or contracts, and try to make sure local partners don't make mistakes, but are trying to give much more autonomy to the enterprises themselves. This is a revolution in the Government system—moving from controlling things to providing a service—and some officials will take time to lose their habit to control."

He is frank about the problems of "leftist" bureaucrats still being less than enthusiastic about the way Deng Xiaoping is pulling out the foundations of Mao Zedong's egalitarian utopia.

"Leftism is a problem that still exists all over China. It formed over a long period, and trying to eliminate it over a short period is not easy," he says.

Zheng and Mrs Song may only be troubleshooters in the idiosyncratic context of China's state-controlled industrial bureaucracy, but they are trouble-shooters all the same and, if they succeed, they will take a great deal of the pain out of conducting business with Anhui's industrialists.

David Dodwell

Economic reforms bring fresh challenges for business

"NO, NO DISCOS," said the general manager of the Maanshan Iron and Steel Works with a laugh. "At our regular works dances wa hava tha waltz, the foxtrot and the tango."

By contrast with the years hefore 1978 that seems revolutionary enough. It is one of the wider changes now hitting factories, though it remains a mystery why Chinese officials think that hallroom dancing with its body contact is any more respectable than solitary gyration to a pop group.

In the front line of Peking's economic reform, Chinese managers are facing new hurdles. After some years of planning and discussion, last October the party announced a package of new economic measures. They included a nationwide tax system to replace the old profit handover, an end to the outright grant system and a switch to loans, the introduction of trading un the free markets or abroad, and the right to hire and fire.

Peking has even begun to nibble at the vexed question of price reform for energy and raw materials, which is difficult to institute without upsetting the present delicate balance.

Anhui's managers are finding their task onerous.

"There are many responsibilities," says tha Maanshan general manager, Chen Mingren. "Loans, tax, profit, wages, we must arrange them all ourselves."

Yao Huangshan of Hefei's Daily Necessities Plant is particularly worried over how to link wages with productivity: "I don't want to lower pay and cause hardship," he says.

How far the reforms are genuinely being implemented is a moot point. Managers assure visiting foreigners that they are, though the Chinese press reports numerous cases of tax evasion and egalitarianism. Some reforms are slow to get started, and some managements apparently are ignorant about their companies' accounts.

One vice-manager of the Anhui Knitwear Factory, the biggest plant in Hefei's textile industry, said with a big smile that *last* year's profit was a secret and he didn't know what the export earnings had been.

Taxation

Nevertheless, viewing factories provides insights. For instance, taxation seems to vary according to industry. Maanshan pays 51 per cent plus a variable profits tax, while the Hefei Printing and Dyeing Plant pays 70 per cent. While all the money goes initially to the state, Anhui gets back about 75 per cent as subsidy.

Bank loans, instituted to replace grants, now attract an interest rate of 7.2 per cent, says Chen Mingren, though there are soft loans at 3.6 per cent. But all loans will be more difficult to find because of last year's spurt of inflation. Measures to discourage borrowing include forcing the enterprise to put up a sum equal to the proposed loan.

At plants of national importance like Maanshan, Peking still retains strong control. Raw materials and energy supplies are guaranteed at a fixed price and the plant must produce fixed quotas. Though any surplus can be sold to free market factories, Maanshan must pay extra for coal used for this extra steel.

What effect this type of increase will have remains to be seen. At the Wuhu Feather Factory, which makes down quilts and jackets, the manager, Xu Xieming acknowledges that the cost of feathers had nearly douhled in the past year.

How does he cope with that? "I doubled the sale price of our products," he replies.

Manager Xu may have no difficulty selling his output, but Yao Huangshi at the Daily Necessities Plant was more apprehensive: "Pushing np sales will be our higgest difficulty," he says.

The plant has already had to start TV advertising and market research.

"We get sales figures from shops," he adds, "with new products we ask customers to fill up a questionaire. If products prove unpopular, we stop making them."

At the Hefei Knitwear Plant the Government has applied a floating price which gives the factory leeway to cut or raise prices in tune with demand.

At some factories a contract system is on trial to crack the "iron ricebowl" system. For years, workers have been entitled to keep their jobs, no matter how inefficient or lazy. Now new workers are being taken on only for a year.

"We only have a thousand contract workers out of a total of our 60,000," says Chen Mingren of Maanshan. The system can only be applied to new workers, so it will take time to work through all the workforce.

One problem with this reform is that, in China, children inhert their parents' jobs when they retire. In the Daily Necessities Plant, around 200 out of a workforce of 1,600 are on contract, beside the children of fixed workers. All the fixed workers are still in jobs, while 20 of the contract workers have been fired.

An advantage of tha new system is the more rigorous selection applied to workers. Several Anhui factories said they took on labour as the result of an "examination." Some basic literacy plus the ability to acquire skills was a requirement.

Productivity

Problems remain with the bonus system. Started in 1979 to improve productivity, it quickly became accepted that all should get the same bonus. Dismantling this idea has proved difficult but increasingly more necessary as the extra cash has fuelled inflation.

Even at a long-established plant like Maanshan, there is no easy solution. "There is some egalitarianism," says one official, ruefuly. "It's often because its hard to measure productivity, especially among office workers. Everyone expects a bonus every month.

"But unless this attitude can be overcome, none of tha new reforms are likely to take permanent root."

Colina MacDougall

Exports rocket to a new record

IF IN Hong Hong you eat an egg for breakfast or a freshwater crab for dinner, the chances are that it came from Anhui. If you buy your duck-down anorak in Japan or your Meiling brand canned food in London, the same applies. For a province that has so far escaped the limelight, its products are surprisingly pervasive.

In line with national policy, Anhui province was given the right to export its own goods—excepting those under central control like steel and coal—in 1977, the dawn of China's new "open door" commitment. From 1980 when the policy really took hold, exports rocketed from $40m to last year's record of over $240m.

The Anhui Foreign Trade Bureau now has its own wharf and storage space in Shanghai, and maintains an office in Hong Kong, the Shanghai International Trade Corporation. This is a joint venture with a Hong Kong company. There is a staff of five from Anhui, and the general manager, Qu Jiannian, is of Anhui origin.

Once past the everyday items like grey cloth, underpants and micromotors, the catalogue of Anhui exports becomes almost poetic. River pearls, rice paper, silver fish and peppermint oil rub shoulders with tea, writing brushes, silk and honey. Significantly, the proportion of processed goods compared to raw materials is steadily increasing.

When first permitted to trade on their own, the provincial branches of the state trading corporations had problems because of their inexperience.

For instance, the Anhui branch of the textiles corporation was not given independence under the economic reform policy until 1981. In 1982, they oversold the quota allotted them by Peking (which divides the foreign quotas among the provinces).

But those teething troubles are over. The textiles corporation claims resounding success, having boosted sales abroad from $13m in 1981 to $50m last year.

The corporation sells a third of its products to Hong Kong and Japan.

"Our next most important customers are in Europe and the U.S.," says Ni Tongchu, deputy general manager of the Textile Corporation's Anhui branch. "But there we have quota problems."

"Quotas in the U.S. are too limited," he says. "Europe is more flexible. But in any case, we have to find products to export which are not subject to quota."

One of these is a mix of cotton with other fibres, or a change in the finish. Anhui is an important ramie-producer, and a 55 per cent ramie, 45 per cent cotton fabric will not be subject to quota. Or, to get towels exported out of quota, they can be sold unhemmed.

The corporation is also working on all-ramie fabrics, which are also out of quota. Deputy General Manager Ni sees ramie as the best potential growth area in his field, but the industry has had problems in weaving the fibre. It is now importing foreign machinery to help.

The cereals and oils corporation did not begin to export independently till 1983-84, but still managed to boost exports from $20m in 1981 to $50m last year.

The staples of its trade are rice, beans, oilseeds and canned food, of which forty per cent goes to Hong Kong, Japan and Singapore. Most of the rice is sold to Africa.

Deputy manager Lu Songiao believes the best hopes for increases this year are maize and canned foods.

"Last year we sold 51,000 tons of maize to Singapore and Japan." He says. "This year we may sell 100,000, while Europe is also a growing market for canned food."

"Textiles and cereals are the best - performing exporters," explains Xu Caihua, himself vice manager of the Animal Byproducts Corpn. "We're the next: animal byproducts take around 20 per cent and native produce 10 per cent."

All three corporations, Anhui's export leaders, complained about the drop in world commodity prices. Cotton is 30 per cent below last year, maize has fallen $10 or more from $130 a ton and the many categories of native produce are feeling the pressure. All seemed confident nevertheless that they could keep on pushing up sales.

At around $40m, the provinces imports, mainly machinery, were last year only one sixth of exports. Peking takes the foreign exchange earned, but returns 25 per cent which the province can spend on foreign goods. This is used for updating factory technology, which Peking will also support with loans.

Last year provincial companies contracted with foreign companies for about $90m worth of equipment, but only $40m were spent. A handful of compensation trade and joint venture agreements have been signed, but in many cases the machinery has not yet been imported.

Colina MacDougall

● Goods from Anhui are transported by barges on the Yangtse River. The Anhui Foreign Trade Bureau now has its own wharf and storage areas in Shanghai. Textiles, cereals, foodstuffs and animal by-products are among the main exports

Foreign trade

	(Figures in $m) Imports	Exports	Total
1980	29.12	39.82	68.94
1983	33.67	170.4	204.07
1984	51.19	243.77	294.96

Anhui joint equity ventures:

Projects agreed in 1984

Location	Foreign partner by country	Type of venture	Remarks
Hefei	Italy	Synthetic leather*	$4.85m foreign investment
Maanshan	Hong Kong	PVC wall covering*	
Hefei	Hong Kong	Colour printing and developing	
Anqing	Hong Kong	Medical products	
Wuhu	Hong Kong	Artificial diamonds	
Bengbu	U.S.	Electronics industry	
Fuyang	Hong Kong	Electronics industry	
Wuhu	France	Leather	$2m
Hefei	Hong Kong	Building materials	
Hefei	Hong Kong	Hotel	$15m foreign investment

* Already in operation

Anhui exports by market

Overseas markets	(Figures in $m) 1980 Value	%	1983 Value	%	1984 Value	%
Asia	32.99	82.8	126.23	74.0	167.32	68.6
HK/Macao	26.71	67.0	71.29	41.8	69.76	28.5
Japan	5.87	14.7	48.02	28.2	80.57	33.1
North America	1.23	3.0	6.0	3.5	6.26	2.6
U.S.	1.23	3.0	4.87	2.9	5.15	2.1
Europe	5.58	14.0	33.68	19.8	67.07	27.5
West Europe	1.61	4.0	21.01	12.3	32.83	13.5
USSR/E. Europe	3.97	10.0	12.67	7.4	27.09	11.1
Others	0.02	0.2	4.65	2.7	3.11	1.3
Total	39.82	100	170.47	100	243.77	100

Wuhu city: gateway for foreign trade

AT THE confluence of the Great Yangtse and its tributary the Qingyi, Wuhu has been a river port since time immemorial.

Opened in the late 19th century to foreign shipping, it closed again after 1949. Not until April, 1980, in tune with China's new "open door" policy, were foreign ships and foreign trade again allowed.

With its broad shady streets and mild climate, Wuhu seems to share the sleepiness of much of central China. But times are changing. The province last year reorganised local administration to give the city jurisdiction over large tracts of countryside, a move intended to boost output and fuel exports.

Urban Wuhu, with a population of nearly half a million, stretches a mile or two along the low-lying southern bank of the Yangtse. Once an old town of small brick streets, multi-storey buildings are beginning to sprout. Flood has taken a toll in the past, but local officials declared the river was now under control.

Wuhu is Anhui's major Yangtse port. Although the depth of water allows it to take ships up to 10,000 tons, it is severely handicapped by the bridge downstream at Nanjing. This restricts the size of vessels coming upstream to roughly half that. While foreign shipping is permitted to call, Wuhu officials admitted that none had done so yet.

Apart from ferries, the river looks quiet. But Xu Ruiling, the Port Bureau leader, claimed 44 docks, 19 kilometres in length. Two of these are alloted to foreign trade, and three more for the same purpose are to be built, though last year foreign trade cargo was only a tiny percentage of the total 5m handled in the port.

Most of the shipping carries raw materials—mainly coal from north Anhui, plus sand and cement. New coal docks will be built to speed the shipment of fuel to the big industrial centres of Wuhan, Nanjing and Shanghai.

Wuhu's surrounding countryside—a peaceful area of paddy fields, cotton and jute, feeds its light industries with raw materials. Much of its industrial output—last year worth Yuan 2.2bn—is made up by textiles. Duck feathers, hides and sand help to boost its down, shoe leather and glass factories.

City leaders are on the hunt for more trade and foreign investment. Like everywhere else in China, its exports are rocketing. They rose from only $18m in 1983 to $30m in 1984. Import figures were not available. Officials said those were handled not by the city but the province.

Textiles were the main money earner last year, with processed agricultural products—like the down quilts from the feather factory—coming next. Japan, Hong Kong and West Germany were the main partners.

With these successes under their belts, Wuhu's officials are now looking for foreign investment.

The city became famous in China last year as the base of one of its first millionaires. In 1978, Liang Guangjiu started what is now a yuan 100m business flavouring melon seeds, which he sells all over China. His completely private enterprise now employs 300 people.

He has distribution centres all over China, and plans more factories to cater for local tastes. He has a new flat in Wuhu and a house in the country. He wears a smart black western suit and a diamond ring. If he is typical of the locality, Wuhu's future is assured.

C.M.

JOINT VENTURE IN LEATHER GOODS WILL OPERATE FOR TEN YEARS

Chinese/French project now under way

Down an untidy lane in Wuhu, the sprawling port on the central Yangtse, stands one of the first of Anhui's joint ventures to get under way.

With a building site opposite and heaps of bricks round the entrance, the Yong Jiu Tannery of China is joining a French company, known to the Chinese as Socop, in setting up a $2m business making shoe leather.

"We're off to France soon to choose new equipment," says the factory director Nie Wenlong, a neat man with a brisk manner. "We met the French company last July, had seven months of discussions, signed the agreement and got provincial approval in February this year."

Under the terms of the agreement, the French side is providing finance—and the Chinese, the land, labour water and power. The investment is 51 per cent Chinese, and 49 per cent French.

How would a French company find a partner in Wuhu, to a westerner a remote and unknown town in central China? As so often happens, the answer was through an ethnic Chinese living abroad. A French Chinese on the company's staff had a relative in Shanghai who introduced him to the Yong Jin Company.

The joing venture will run for ten years. Profits will be shared according to the size of share in the company. No decision has been made on who will be chairman, but the French Chinese who helped to negotiate the deal will probably return to Wuhu to help manage the new company.

The factory makes shoe leathers in conventional browns and blacks, but more daringly in pastels and even gold. It has a small output of brushed pigskin for coats. At present, most of the production (130,000 skins a year), is used in China. Only the finer ones are sold to Hong Kong, Italy or the U.S.

All this will change when the joint venture is set up. At least 50 per cent will go for export, and the company plans an outlet in Hong Kong. The new equipment from France is expected to upgrade quality enough to make this a real possibility.

The factory claims a profit of Yuan 150,000 in 1984, 50 per cent up on the previous year. Two years ago they were supplied with hides by the state, but now they have to buy them on the free market. The factory director claimed that there were plenty, but he acknowledged that cow hides had gone up 25 per cent in price.

The provision of electric power is the responsibility of the Chinese side. Factory director Nie says there is no shortage: "The factory works three shifts," he adds "but we only work a few shops at a time.

"We spread the load that way and, of course, there's plenty of power at night." Most people would see these constraints as evidence of a problem.

Colina MacDougall

Coal: key to industrial expansion

THE COALFIELDS in Anhui's flat northern plains—the third largest in all China—are, during the years ahead, intended to provide the feedstock for ambitious devlopment programmes extending far beyond the province's boundaries, and encompassing power, chemicals, and a wide range of related industries.

The province is estimated to have reserves amounting to about 22bn tons—less than only Shanxi and Hebei. Output last year—about 27m tons—accounted for a bare 3.5 per cent of national output. But plans are now well advanced to boost production, with new mines being brought into operation which by 1995 should have more than doubled output.

Reserves are found mainly around Huaibei in the far north of Anhui, and around Huainan, on the southern banks of the Huai river.

Huaibei today accounts for the majoity of output—about 13m tons—but most of its 13 mines are comparatively small and have been well woked.

The main hopes fo the future are pinned on Huainan, where technological breakthroughs have given engineers access to rich seams that were until a few years ago inaccessable.

By David Dodwell

Coal was first mined in Anhui over 400 years ago, but most of today's mines were built on establishment of the Chinese republic in 1911. Until 1949, they and the industries based on them were the private property of the fabulously wealthy Soong family, and while they were taken over by the state after the Communist revolution, output has been stagnant since then, last year it reached 9.1m tons.

The dominant part played by the coal industry in the economy of a city such as Huainan is formidable. About 85,000 people ae employed directly in the mines, but the coal mine bureau employs a further 45,000 in the chemical, cement, machinery repair, and coal washing plants that it owns. Also owned are a 40,000-strong construction company, a university and a technical college.

The resources to be newly-worked—which form the foundation of much-discussed expension plans — are slightly north of Huainan, on the northern banks of the River Huai around the town of Panji. The Chinese have been aware of rich seams in the area for many years, but have never tried to work them because they lie under 200 feet of shifting sand.

Only with new technologies, under which the sand was frozen to enable a shaft to be drilled through it, has exploitation become possible. The first mine on the field — Pan Yi (meaning Pan Number One)—went into production late in 1983, and is expected by 1987 to be producing over 3m tons a year.

Further mines—at Pan Er, Pan San and Pan Si (Pan numbers Two, Three and Four) and at Jie Qiao, are intended to be producing similar quantities of steam coal by the end of the decade. With the enhancement of output at established mines like Jie Jiaji Number One, production from Anhui's fields could be close to 45m tons by the end of the decade.

Power plants

The new coal supplies are intended first and foremost to provide the feedstock for major thermal power plants now coming off the drawing board. A 300mw plant will be commissioned at Lohe in October this year, while a 600mw plant at Tienjiaan is under construction.

Most ambitious of all is the two-stage Pinwei power plant, which will cost RMB 4bn and will eventually have a generating capacity of 2,400mw. It is intended to serve Shanghai, Jiangxi province and Jiangsu province, as well as Anhui.

The first stage of Pinwei, comprising 1,200mw, is timetabled to be in operation in 1987. The true scale of these projects is highlighted when it is noted that Anhui's total generating capacity at present amounts to 900mw.

A second prong for regional development is to develop industries using the new power supplies, and industries using coal as their main natural resource. Coal washing capacity is being enhanced, both to raise the price and marketability of the coal, and to exploit the by-products for steel-making, cement, and other chemical industries.

Fertiliser and pesticide plants, critically important in a predominantly agricultural province, are also a high priority. Staff at the Huianan fertiliser factory, the city's largest employer independent of the Coal Bureau, is under intense Government pressure to upgrade its plant, both to save energy and increase output of fertilisers like Urea, which are still in extremely short supply in the countryside.

As in Britain, Huainan's coal-Their salaries are among the best available in industry in the country, ranging from RMB 150 to RMB 350 a month; while miners see themselves as part of China's industrial aristocracy, mines provide a range of welfare benefits. As such, the industry attracts large numbers of workers from the countryside around.

This has led to one obvious but bemusing problem: the community is almost totally male, with many young workers complaining it is almost impossible to find wives. The local trade union has tackled the problem by advertising in newspapers and on radio stations across 17 provinces for prospective brides.

The first campaign, held early in 1984, led to 16 couples marrying on National Day last year, and a further 60 during the Spring Festival, three months ago. The ploy is to be repeated again this year—and if it leads to greater staff satisfaction, and improved productivity, why not?

Mr Chen Mingren, general manager of the Maanshan Iron and Steel company: bold plans for development.

Iron and steel sector now being updated

FOR A steel town of 300,000 people, Maanshan is surprisingly attractive, with broad treelined streets and comparative lack of pollution. The Iron and Steel Works, its reason for existence, has developed over the years from a small plant making only iron to a 1m ton of steel a year enterprise, employing 60,000 workers, the biggest enterprise in Anhui.

Though way after giant steel plants like Anshan and Wuhan, and making only a few percent of China's total steel, it ranks fifth or sixth (the management weren't sure which) in national importance, in the sector.

With its own iron mines and excellent communications, it plans to develop up to 3m tons capacity by 1990. According to the general manager, Chen Mingren, the provincial leadership is strongly supporting the project—not a foregone conclusion in China's system of divided responsibilities, since the plant mainly comes under the ministry of metallurgy in Peking.

Updating and expansion bave begun. The U.S. Rust Company is now making a feasibility study for modernising the railway wheel and tyre plant under Washington's Trade Development Programme. A Canadian team is advising on computerising the company's management.

"We're building a wire rod mill which we've bought from Schloeman Siemag," says Chen Ji, vice manager of the Maanshan office of the China Metallurgical Import and Export Corporation.

"The equipment will be delivered by the end of the year," he says.

"We're going to put a continuous loading plant beside it, for small sections of steel billet. We're having the equipment for it built in Hangzhou, with some Swedish technical help."

Medium-term plans include a new oxygen plant to improve steel making, replacement of the old and small open hearth furnaces by converters or electric furnaces, a medium-plate mill and a new wharf.

"We're looking for second hand equipment," adds Chen Ji. "General manager Chen Mingren has just returned from a two-month trip to the U.S. and Japan, where he visited Bethlehem Steel and Sumitomo."

Further down the line are a new blast furnace of 2,500 cu metres capacity and a sinter plant with a 300 sq metre bed, both to be finished by 1990-1992.

"After these improvements the plant's output will be about 3m tons," adds Chen Mingren.

A second new blast furnace is an eventual possibility, which would raise output to 5m tons.

The foreign cost of these improvements will be about $50m.

"I hope to get a 100m hnan loan from the People's Bank," says Chen Mingren. "I can buy foreign currency with it from the Bank of China."

Selective foreign purchasing bas been the policy for some time. The main motor in the 800,000 ton blooming mill came in 1979 from the West German Siemens, while the rest was built in Taiyuan, Shanxi Province. The Machie repair plant includes a Polish boiler and a Czech vertical lathe, both installed in 1972.

Basically, the plant's technology is Soviet learned from other Chinese steel plants built in the 1950s. However, the blast furnaces, small by modern standards, are probably much older. The company is about to close its two smallest steel converters.

The plant has been earning foreign exchange since 1982, and Chen Ji and Cheng Bifu, vice-manager of the wheel plant, recently returned from a selling mission to India, Pakistan, Thailand and Hong Kong. Besides steel products, the company also exports coal by-products and items such as vanadium.

"We'd be interested in compensation trade arrangements," adds Chen Mingren.

Foreign currency income this year will be several hundred thousand dollars, of which the company is allowed to keep 10 to 30 per cent. This will help to finance trips abroad.

Optimism over the company's future seems justified. Maanshan stands on a belt of iron ore that stretches from Nanjing, along the Yangtse and far up into Anhui Province.

"Ore reserves are 150m tons or more," comments Chen Mingren. Though, like most Chinese ore, the iron content is low (30 to 50 per cent), with sintering and judicious mixing with small amounts of Australian ore, the result is fairly satisfactory.

Maanshan is well placed beside the Yangtse for access to the great industrial cities—Shanghai, Nanking, Wuhan, Chongqing, which dot its banks. Rail transport is good. Coal comes from Anhui's own mines at Huainan and Huabei. Power is derived from the provincial supply and is on the whole sufficient.

Demand for steel in China is increasing as the country speeds up modernisation. Even with the giant Baoshan plant near Shanghai dne to start up later this year, Chen Mingren foresaw no problem in disposing of fis output.

Colina MacDougall

Chizhuang village: the area is still poor.

PROFILE: FENYANG, THE BIRTHPLACE OF THE 'RESPONSIBILITY SYSTEM'

A model for 800m peasant farmers

UNTIL SIX years ago, China's peasants were being exhorted to "learn from Dazhai," the model commune that was supposed to provide living proof of the success of Chairman Mao's egalitarian agricultural policies.

Today, the new model is Fengyang in northern Anhui, birthplace of the "responsibility system," and cornerstone of Deng Xiaoping's plan to lift China's peasantry out of the poverty that Chairman Mao and his supporters refused to admit was the outcome of their farm policies.

"What we learned from Dazhai was that Chairman Mao's agricultural policies were a failure," says Wang Yuxing, Fengyang's First Party Secretary.

"Like most cadres during the cultural revolution, I wasn't impressed by the movement, but we couldn't do anything about it, because it had been the brainchild of Chairman Mao."

Like Dazhai before it, Fengyang has been carefully chosen by China's leadership.

The claim may be true that peasants in the small hamlet of Chizhnang in the north of Fengyang introduced secretly and spontaneously in 1978 what was to become the "responsibility system." But that alone is unlikely to have persuaded China's leaders to make this a model for the country's 800m peasants to emulate.

It is no accident in a country where historical analogies are used subtly to provide modern messages that a Fengyang peasant, Zhu Yuanzhang, 600 years ago led a peasant uprising which overthrew the last Yuan emperor to become the First Emperor of the Ming Dynasty.

It is also no accident that Zhu's home village was later razed to the ground, and Zhu unseated, because of his failure to improve the lot of the peasants from among whose ranks he had come. A Chinese leader neglects the peasants' interests at his peril—whether he is a Ming emperor, or Mao Zedong.

On the banks of the notoriously volatile Huai River, Fengyang is an area — still closed to foreigners —where floods and droughts have combined with political exploitation and neglect to keep peasants in a state of extreme poverty for as long as anyone can remember. It used to be taken for granted that a large proportion of the beggars that littered Shanghai's streets before liberation came from Fengyang.

Xu Cuezhen, one of the millions of "edncated yonth" inspired by Chairman Mao to flock to the countryside in 1969, and one of 10 Shanghai girls who came to Chizhunag as barefoot doctors, recalls: "For year after year we were like beggars. A lot of the time we only had sweet potatoes to eat. We came to be very frightened of all of the political movements, and everything was being disrupted by political meetings."

During those years, all of Xu's girlfriends managed one way or another to slip back to Shanghai. When she married a local man in 1976, Xu was also still trying to get back to her home. Now she has three children, says she is settled in Chizhuang, and lives in a solid brick bouse which overshadows the shanty that was all the family could afford until two years ago.

With her husband farming four acres, and Xu working at a nearby hospital, they last year earned RMB 6,000. They have electricity, a washing machine and a black and white television (Xu was worried the rays from a colour tube might damage the children's eyes).

Neighbour Wu Fungqi is one of the three farmers in Chizhuang credited with surreptitiously dismantling chairman Mao's cherished commune system—under which all land was communally owned, and crops pooled — and introducing what has been coined by China's leaders "the responsibility system."

In a hamlet of just 16 households, they say they won secret agreement to cultivate local land on an individual basis, with individuals keeping for themselves the profit from any surplus produced above state quotas. Others were released to breed pigs, sell eggs and work in other "sideline activities."

"There was a point when we were afraid what would happen if the leaders discovered what we were doing," Wu says, "but the local party leaders never said they disagreed."

Then late in 1976, the watershed third plenum of the 11th party congress in Peking officially debunked the commune system, gave its blessing to rural free enterprise, and Fengyang was on its way to becoming a model for all of China's peasantry to follow.

The walls of Wu's bare but spacious new courtyard home, set amid fragrantly blossoming Chinese scholar trees, are covered with framed certificates of praise for Fengyang from officials countrywide. Red calligraphic posters carry messages with lofty sentiments, like

CONTINUED ON PAGE 5

Big boost for agriculture

ONE OF Anhui's greatest strengths—but in historical terms one of its greatest weaknesses—has been its agricultural sector.

Straddling the Yangtze and Huai rivers, it has rich soil and an abundance of water. Yet a combination of floods, drought, and political upheaval have until very recently kept the province in a state of perpetual poverty.

The last natural calamity — a six-month drought in 1978 that prevented the planting of any wheat — was, without doubt, an important trigger for the final collapse in Anhui of the highly egalitarian commune system that had for two decades been the cornerstone of Mao Zedong's economic policies.

It was thus unlikely to have been an accident that leaders in Peking, casting round for a new model to replace Dazhai—the discredited model for Mao's commune-based agricultural system — picked out Fengyang County in the north of Anhui. Throughout much of its history, the main export from this impoverished corner of eastern China's poorest province was its beggars. At the end of 1978, it was at a low ebb, despite 20 years of "learning from Dazhai."

Leaders claim improbably that the "responsibility system" — the rural free enterprise system that was Deng Xiaoping's first and most important step towards releasing China's long-suffering peasantry from decades of dogma-induced poverty —emerged secretly and spontaneously in Fengyang. Whether this is true or not, the whole of China's peasantry are now being called upon to "learn from Fengyang."

In the six years since the "responsibility system" was introduced, Fengyang's grain output — mainly wheat — has soared from just under 1.5bn kilos to almost 4.4bn kilos. Farm incomes have risen from an annual average of RMB 81 in 1978 to RMB 403 last year.

Delapidated mud shanties are being replaced by simple brick-built houses. Pigs, ducks and hens are again foraging around every house after being all but exterminated before 1978. Fengyang is once again self sufficient in grain, and selling cash crops to other provinces, after years of begging emergency grain from Peking.

Mechanisation has still to reach most of Fengyang's fields, but more pesticides and fertilisers are being used. The labour-intensive nature of farm work means that families are still large, with scant concern over Peking's call for one-child families.

Fengyang is — writ small — an example of what is occurring throughout Anhui and the rest of China. With its staple crops of rice in the south, and wheat in the north, Anhui last year produced 22m tons of grain, and was a significant supplier to the state.

"Tha peasants are now producing so much grain that we can't sell it all," says Xing Shen, director of the province's agricultural policy study office. As a result, cash crops are being encouraged, with officials hoping that free market price mechanisms will persuade more farmers to commit less acreage to grain.

Among the cash crops being grown in increasing quantities by farmers are cotton (Anhui is now China's fifth most important supplier of raw cotton), jute, rapeseed, tea and tobacco.

One of the *highest priorities* is also to build up rural industries to absorb the workers who bave been displaced on the land by greater efficiencies possible *under the responsibility system*, and who would otherwise probably drift into unemployment in one of China's still hard-pressed cities.

Fish *farming* is also *being* encouraged, with plans to double the 1m acres of lakes and reservoirs now being used for rearing fish and crabs. *With improved control of* the notoriously volatile Huai and Yangtze rivers, and with plans in the pipeline for a canal linking the two rivers across the centre of the province, Anhui has considerable potential for becoming an important national supplier of fish and other aquatic products.

While *there* is clear avidence that fertilisers and pesticides are being more widely used, officials still admit to shortages of urea and other compound fertilisers. A large proportion of the recent gains in agricultural output have come from shifts into double and triple cropping rather than from use of high-yielding seeds, or from improved use of fertilisers.

This explains why there are plans to use more of the province's plentiful coal supplies to boost output of basic fertilisers. Since Zheng Dawei, one of the province's vice-governors, has spent a large part *of his career heading* Anhui's two main fertiliser plants—in Huainan and Anqing—it seems improbable that this urgent need will be overlooked.

Agriculture will continue to play a critical role in Anhui's future economy. Over 90 per cent of its 51m population live in the countryside. Excluding agriculture-based industries, the farm sector accounted for 47 per cent of the province's RMB 34bn agricultural and industrial output.

Officials have every intention of developing industries that will exploit its improved supplies of agricultural products. An animal foodstuffs industry is being tailored to cater for the increase in animal husbandry that is occurring in the countryside.

Factories making farm machinery are being built up. Food processing and brewing industries are earmarked for rapid growth, possibly with foreign joint venture participation. Extensive research has just been complated removing acids from rapeseed so that it can now be used as the base *for edibla oils, while foreign* equipment bas been imported enabling local textile manufacturers to mix locally grown garments that are not subject *ramie with cotton* to make garments that are not subject to U.S. export quotas.

Rural industries involved in handicrafts, and making pro*ducts like reed mats,* are also emerging, providing sideline activities to sustain farmers during the quiet seasons between the intensive periods *of planting and harvesting,* and to provide a firmer foundation for improved rural incomes. This has succeeded in staunching the drift to town and cities that is common in *many* developing countries, and has provided more entrepreneurally-minded farmers with opportunities for getting rich very quickly *(see profile of Chen Xinghan).*

Confident

For as long as cold winds from the north of China, and warm winds from the south continue to clash over Anhui, peasants will be sbla to do nothing about the inclement weather that bas in the past kept it poor—though improved water control will enable it to cope more easily than ever before.

However, peasants are becoming increasingly confident that the clash of political winds that has in the recent past done more damage than the weather itself is part of an impoverished past.

The farmers of Fengyang may *not yet be rich, but they are no* longer ignominiously starving.

David Dodwell

Fengyang's success

CONTINUED FROM PAGE 4

"Keep the Labouring People's Nature Good" or "The Four Modernisations have Achieved a Great Deal," and "Labour Brings a Rich Life."

Six years of the responsibility system has rewarded Wu'a labour with what in peasant terms amounts to riches. Offering guests tea and roasted melon seeds, this one-time oil worker in remote Gansu province compared the poverty of five years ago, when his family of seven children had to subsist *on RMB 300 a year, with the* prosperity that his 10 acres of land have brought—RMB 19,000 last year.

The marriage of his eldest daughter — impossible, until recently, because the family could not afford it—cost just under RMB 3,000.

While the county has yet to catch up with the richer parts of rural China, like neighbouring Jiangsu, or Cuangdong in the south; it is keen to live down this reputation as one of the poorest corners of one of China's poorest provinces.

Total agricultural output has trebled since 1978 — to 4.35bn kilos in 1984. Peasant incomes now average RMB 400 a year, compared with RMB 80 in 1978.

"We are no longer eastern China's poorest county," says Party secretary Wang. "We learned from Dazhai that the *commune system could not* work. What we have learned from Fengyang is different. Farmers have solved the problem of food shortage for themselves. *No-one in our history* has managed that before."

D.D.

Prosperous local employer, Mr Chen Xinghan (left) *with his utility vehicle*. A young farmer, right: many did not agree with Chairman Mao's policies

PROFILE OF A LOCAL BRIGADE LEADER AND MODEL PARTY MEMBER

How Mr. Chen became a tycoon

FOR THE past 30 years, villagers around Guzhuang in Fengyang county have known Chen Xinghan as the local brigada leader. Since 1981 they have come to know him as local tycoon and employer. He has become rich by means of reed mats and the responsibility system.

"The peasants in my village didn't agree with Chairman Mao's policies," he says between slurps of scalding hot green tea on the first floor verandah of his RMB 95,000 house. "I was always sure they would not last."

Reed mat-making is a traditional occupation around Guzhuang, close to the southern banks of the Huai River in Fengyang. What has set Chen apart is that he bas turned it into a business. Using peasants as day labourers when they are not busy planting or harvesting their own crops, he employs up to 200 people, and makes about 200,000 mats a year. Last year, this earned him over RMB 115,000.

"I decided to concentrate on manufacturing mats and transporting them by advanced methods," he said. At first this meant using a hand cart. Nowa*days he has tractors* and trucks to do the job, selling mats as far afield at Heilongjiang in the north-east of China.

He insists his party membership, and position as leader of a community including 21 villages and 12 production teams, has played a negligible part in his striking success.

"I'm just a peasant, and leaders like me never bad any *guanxi* in the towns or cities," he insisted. *Guanxi* (pronounced *guanshee*) is the word Chinese use to describe the way people win power, privileges or influence by means of nepotism, bribery, or high party rank. While China's leaders insist that such "back door" *access to* privilege *has* been stamped out, it is widely known that it thrives today, and few people rise far without it.

Chen's claim may be true, however. At the village level, leaders have emerged by virtue of their enterprise or intelligence, and Chen may be just such an example.

He shows few signs of fawning respect for officialdom—the mere fact that he has eight children suggests he does not toe every party line. His easy grasp of the elements that make up an increasingly complex business showed a skill more commonly linked with Chinese entrepreneurs in Hong Kong than with China's state industrial leaders.

When the responsibility system was introduced in 1979, and the local land was divided, Chen was allocated an unexceptional 10 acres. Less than two acres were put down to reeds, with the rest still today committed to wheat, rice and beans.

Workforce

Having decided in 1981 to take the plunge marketing mats, Chen set up an extensive local buying network. He reached agreement with local villagers that they would work for him at RMB 5 a day when they were not busy in their own work. Every weekend, his workforce is swollen by schoolchildren augmenting the family income.

Chen says he feels no awkwardness employing other people: "I pay them a good wage. Five yuan a day is more than most of us earned in a month six years ago—and I'm still a peasant, just like everyone else."

Despite the huge—and empty — house, Chen indeed shows few signs of opulence. Odd plastic-covered settees sit on concrete flors, and electrical wiring is tacked along walls as is common in many ordinary Chinese houses. He bas a telephone and a jeep, which he says are essentials for his business, but he dresses in no way differently from fellow villagers.

What will happen in a few years is another matter, however. It should not be forgotten that there are scarce ways of spending money in China, whether you earn a lot, or not.

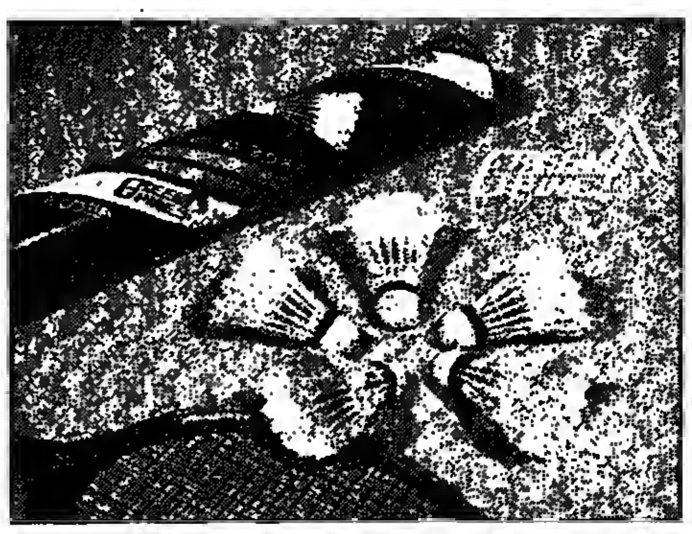
While Chen has adeptly espoused free enterprise, he prickles at the suggestion that a decade ago he would have been condemned as a "capitalist roader." The litany of his philanthropic gestures is long: roads have been built in the locality, electricity wired to the local village. He has given the local school RMB 5,000, and provided a RMB 44,000 grant to the local town.

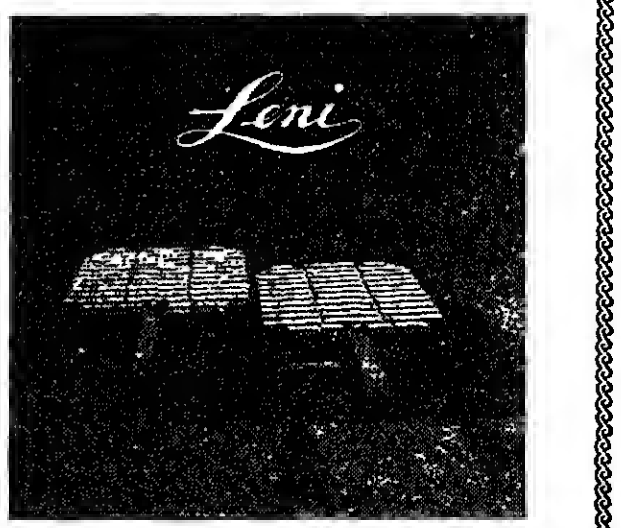
He has further plans for road building, the supply of running water, and a dining hall providing free food for his workers.

As a model party member, skillfully adapting to the demands of the "responsibility system," Chen bas learned quickly that accumulating great wealth is all very well, but if he does not fulfil socialist obligations to bear in mind the *wider needs and interests of his* local community, then both he and the "responsibility system" are living on borrowed time.

For those who say China is "*going capitalist*," it is a thought worth bearing in mind.

D.D.





PROFILE: CUI ZHIKANG' THE MAYOR OF HUANGSHAN CITY

A new breed of Chinese official

YOU COULD be forgiven for thinking that Mr Cui Zhikang, mayor of Huangshan City, was a local official who had quietly worked his way up through the ranks to end in a post of key importance in Anhui's tourist development. The slight, grey-clad figure, the open-necked shirt, the unassuming demeanor, all suggest it.

You would be wrong. Mr Cui came a year or so ago from a top post in the party structure, assistant to one of the provincial party secretaries. His daughter—an only child—is on a computer course in Japan, a golden opportunity for any Chinese youngster.

Cui is one of China's new breed of officials. He graduated in the 1950s from the People's University in Peking, where ba studied philosophy. He is (by Chinese standards) young, educated and though not a technocrat is clearly bright.

His course at the People's University covered mainly Marxist-Leninism, though "I also read Descartes," be says. He became a teacher, and in 1964 was sent to Anhui's capital Hefei to take part in Mao's "four cleanups" campaign. This was a preliminary to the devastating Cultural Revolution.

The crucial years of that movement, 1966 to 1968, he spent back in Peking, though be did not say in what capacity. He came back in 1969 to work in the Hefei teachers' college, and later moved to the propaganda department of the provincial party committee. A year or so ago be opted to come to Huangshan.

Last year the administrative divisions in the area were altered to concentrate resources and unify the piecemeal development of the mountain. The old Taiping county was re-named Huangshan and now includes the beautiful Taiping Lake, about 500 villages and some towns from other counties as well as the mountain. The city administration now covers 140,000 people.

Another motive may have been that the provincial government wanted to strengthen its grip on a very desirable asset. The China Travel Service maintains a powerful presence on the mountain and its representative declared that in tourist matters the mayor was subordinate to him.

Be that as it may, the provincial government has now installed a man who has strong party ties and friends in high places.

Colina MacDougall

Great scope for tourism

IMAGINE a traditional Chinese painting with its towering cliffs swirling clouds and stunted pines and you have Huangshan, one of China's most celebrated mountains. Its scenery is imprinted on the collective Chinese consciousness and reproduced in millions of paintings and self-consciously artistic Chinese gardens. But confronted with the austerity and grandeur of the reality, these stereotypes are blotted out.

A 150-square kilometre area of cliffs and peaks, Huangshan lies in the mountainous southwest corner of Anhui. It has been famous since Tang times for its association with the poet Li Bai, who described its peaks as "lilies in a sea of gold." It attracts thousands both from China and abroad who want to climb the stone steps some 4,000 feet to see the sunrise, the clouds and the rocks.

Evan in China, a land of spectacular and often holy mountains, Huangshan is unique. The mists veil first one peak and then another, blown up and down by air currents in a way the ancients must bave found truly magical.

Huangshan is Anhui's major tourist attraction. While much of the province is beautiful, with lush green paddy fields and small brick villages, it lacks spectacular historical sites. So far, the tourists are mainly Chinese, but the provincial authorities hope to make it into a dollar earner.

Foreign business is growing, says Wang Xudong, head of Huangshan's Tourist Bureau. Out of 420,000 visitors in 1980 some 3,500 were overseas Chinese and 900 were foreigners. Last year, out of a 1.1m total, Hong Kong and overseas Chinese reached 40,000 and foreigners 8,000. These figures may not be very accurate but they provide rough orders of magnitude.

Local Chinese are also much keener these days to take holidays. In Deng Xiaoping's China there is money to spare. Ona student from the Sichuan Teachers' College in Chengdu was on a three-week tour of Hangzhou, Shanghai and Huangshan, costing Yuan 500.

A giggling pair of Hangzhou shop assistants were on a five-day trip with their work mates for Yuan 50, and a teacher and his wife from Huainan paid the same.

"I didn't even need to save up for my trip, says Wang Puping, a radio technician from Hefei. "I already had the money."

This new demand means improving hotels, communications and transport—no easy task without damaging the environment. Already the thousands of visitors strew the paths and beauty spots with eggshells and plastic juice bottles.

The bunk-bedded wooden huts near one of the mountain hotels are a blot on the landscape.

The tourism business began five years ago. The hot spring area at the foot of the climb to the peaks boasts two hotels, providing only 200 not very comfortable beds. On the mountain itself there are another 200, plus the dormitory accommodation. The thousands of coachloads of workers and students which converge on Huangshan at peak times mean that vast numbers of people sleep on the ground.

For the Chinese, the crowds are no drawback. The hotel areas have a resort atmosphere, with bundreds of holiday-makers eating, drinking, chatting or simply wandering about. The atmosphere—though little else—is reminiscent of a ski resort in season, with the visitors in the latest Shanghai fashions.

Mr Wang said that a major priority was to preserve the beauty of the mountain, but in the initial construction period this will not be easy. The big development at present is the building of a cable car, with equipment supplied by Japan.

Since everything for the visitor, down to the last bamboo shoot, is carried up by sweating porters, this will revolutionise the catering and open the mountain to thousands who could not manage the stiff climb.

Other plans include a new hotel in the hot spring area, to be built as a joint venture with an American Chinese. The U.S. side will provide $4.5m and the Huangshan Tourist Bureau the rest, in terms of land and other facilities. Another 200-bed hotel is on the drawing board, due for completion in May 1986.

To relieve the acute water shortage on the peaks and eke out the power supply, a new reservoir and hydro-power station are planned.

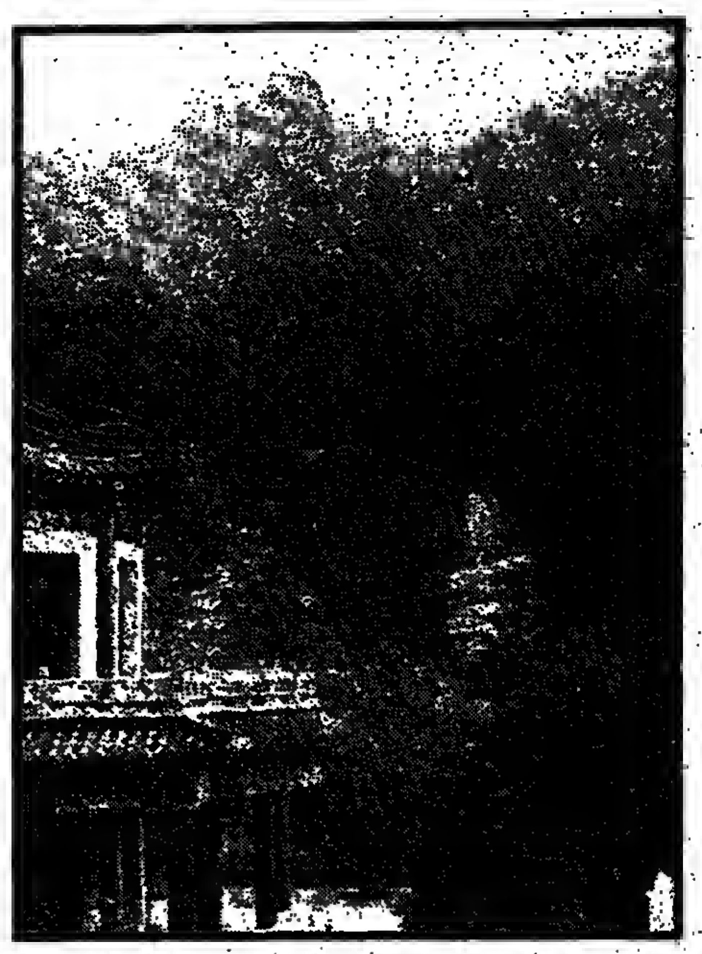
Mayor Cui of Huangshan was uncertain how much money flowed into the area from tourism, but it is clearly an important resource for the locals. Currently, they scratch a living from the small patches of cultivable land at the mountain's foot. In the long-term, officials plan to spend around $200m of the provinces resources on putting in two more cable cars and new hotels.

"Eventually, we hope to build a small airport," says Mr Wang. At present, visitors come by bus, from Wuhu, Tunxi or Hangzhou which are on the railway route. The journey from the big cities of the east can take anything up to 24 hours. Roads to Wuhu and Hangzhou will be widened—at present they are perilously narrow.

Development has been given a boost by action at the provincial level. Last year, Huangshan was constituted as a city, taking in the beautiful Taiping lake to the east and some 500 villages around the mountain.

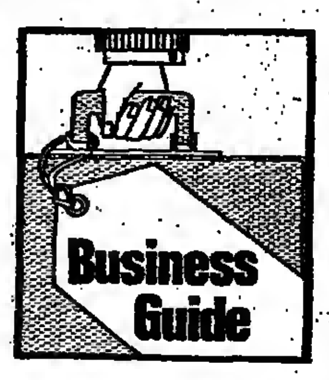
To ensure proper planning, Huangshan now comes directly under the Provincial Government, and is regarded as a specialised "base" for tourism, just as Huainan is a base for coal or Maanshan for steel. It would be a tragedy if China's present scramble for dollars defaced an area of great natural beauty.

Colina MacDougall



Peach garden pavilion at the foot of the beautiful Huangshan mountain

Sponsorship vital for business visitors



● **Sponsoring organisations:**
AS WITH any business visit to China, plans to make a spontaneous visit, or one at short notice, to Anhui are likely to bear little fruit. First priority should be to locate a sponsoring organisation, telling them, in fine detail, about the aim of the visit. This organisation will then provide visa clearance, and prepare a detailed business itinerary.

Over a two-week working visit in Anhui, our journalists found officials unusually flexible and accommodating, but the "purdah curtains" that can exist between departments can make it important to pick out the right sponsoring organisation at the outset.

If there is any doubt, a sensible first port of call is Anhui's Commission of Foreign Economic Relations and Trade.

This Hefai-based body is mirrored by commissions at the municipal level in all of the province's main cities, and you may in due course be passed on to one of these. But it is always better to begin with the more senior provincial officials.

● **Getting to Anhui:**
Travel into Hefei, the provincial capital, is either by air from Peking or Shanghai, or by train from the same cities. Flights between Shanghai and Hefei are scheduled to run six days a week, with three every week linking Hefei with Peking.

From Shanghai, the journey takes just under an hour, while from Peking it takes three bours.

While arrival by air is, in theory, the quickest way to reacb Hefei, the notorious unreliability of CAAC, China's national airline, makes it well worth considering the train. These are slower but daily (overnight from Peking; and 10 bours via Nanjing from Sbanghai), and they leave and arrive on time, providing a mucb safer way of keeping to a tight travel itinerary.

● **Weather:**
In December and January, temperatures dip to −10 degrees centigrade, but at this time of the year there is very littla rain. This begins during the more temperate month of April, with the months from May to September being marked by sometimes violent storms and a high average rainfall.

Temperatures during the bot summer months of June and July reach 35 degrees centigrade, subsiding to pleasant, showery weather during October and November. Needless to say, autumn is regarded the nicest time to visit the province.

● **Hotels:**
Direct booking of botel accommodation is difficult. Bookings will normally be mada by your sponsoring organisation. The following are the hotels in which you are most likely to stay:

● Hefei: Loyang Fandian—set in picturesque surroundings and until 1979 occupied by top provincial party cadres.

Then there is Daoxianglou Bingguan—less salubrious than the Loyang, but set in the same grounds.

There is also the Jianghua Fandian—situated in the middle of town; used more widely by overseas Chinese businessmen. While it does not offar the tranquility of either tbe Loyang or tbe Daoxianglou, it is much better placed if you want to wander about town during the evening, or pop out for window sbopping.

● Wubu: Tieshan Fandian (Iron Hill guest house)

● Maanshan: Yushanhu Bingguan

● Anqing: Mashan Fandlan

● Tongling: Tienjinghu Bingguan

● Bengbu: Nanshan Bingguan

● Huainan: Dongshan Bingguan

● Huaibei: Axiangshan Fandian

Hotels, by and large, offer frugal accommodation. Meals have to be eaten at set times, and are often fixed menu. It is worthwhile checking when bot water will be available, since many hotels supply hot water for just a few hours in the evening, and an hour in tha morning. Laundry services, where they exist, are often slow, so it is better to bring more clothes than you would in other circumstances need.

Because the Chinese tend to rise early and go to bed early, breakfast will normally be offered at 6.30 am or 7 am, with lunch often before noon, and dinner before 7 pm.

● **Arranging Meetings:**
Your sponsoring organisation can be expected to take care of most meetings, but it is worth bearing in mind that competent interpreters are a rarity in Anhui.

If interpreters are needed, it is worth emphasising the need for him or her to have a good knowledge of any specialist vocabulary. The spirit of free enterprise in Hefei is such that it would be possible to "hire" a local interpreter.

One possible source is "the English corner," an informal college where locals gather to practice English conversation. Try contacting Mr Li Ling, an organiser of the college, at his workplace, the Hefei Forklift Truck Works (Tel: 63133).

Companies may supply interpreters for business meetings, but there are many other contexts in which interpreters are of great belp as "fixers"—arranging telephone calls, for example.

● **Currency:**
Credit cards are all but unknown in China, and that goes for Anhui, too. It is best either to take travellers cheques or U.S. dollars. Few hotels can change money, so specific journeys have to be made to Bank of China offices.

Since the Bank of China in provincial cities is rarely more than a trade financing bank brancches are often tucked away, and may be unknown to taxi drivers. One'a "fixer" can be invaluable tracing tha nearest branch. Otherwise, ask for help from the botel reception, or your sponsoring organisation.

A visit to the bank will normally be a balf-hour expedition, and a passport is normally needed. It can be important to keep slips detailing exchange transactions, since Customs officials have been known to check these carefully.

● **Travel about the province:**
Anhui's roads are rudimentary, and long distance journeys will be taxing.

Cars can be hired, but the local sponsoring organisation will normally arrange them. Catching taxis in Hefei and elsewhere is almost impossible except at the main botels, so a driver should be kept with yon during any extended expedition around the city.

● **Telephones and telexes:**
Telephone calls can be booked with reasonable ease, though many receptionists speak no English. Domestic calls (which include calls to Hong Kong) are usually speedy, but long delays can occur on international calls.

● **Where to get more information:** further details on Anhui's industrial sector and, in particular, the companies featured in this survey, are available by using the special coupon in today's issue of the Financial Times or by writing to Simon Timmis, Financial Times, Bracken House, 10 Cannon Street, London, EC4P 4BY, who will forward the inquiries.

David Dodwell

APPOINTMENTS

New Frizzell company

The Frizzell Group has formed a new company called FRIZZELL JONES to handle shipbroking and chartering. The diversification is a development from the activities of Frizzell Bolton Hicks and the two companies will work closely together. Managing director of the joint venture company is Mr Michael Jones. In recent years has been a partner in Seascope, and previously was a director of H. E. Moss. Other members of the board are: Mr Colin Frizzell (chairman), Mr Roland Sperryn-Jones, Mr Don Cripps and Mr Michael Raven.

★

The importer of Audi and Volkswagen cars has named Mr Peter Cover as sales and marketing director in Britain. He joins the board of V.A.G. (UNITED KINGDOM). Currently sales manager, he has worked for Volkswagen since 1967 when he joined the company as a zone manager. Mr Cover replaces Mr Brian Bowler, who is leaving the company to become president-elect of the Doyle Dane Bernbach agency, responsible for Audi and Volkswagen advertising in North America.

★

Mr John L. Crockatt will be retiring from the chairmanship of JOHNSON GROUP CLEANERS and from the board at the end of June. He will remain chairman of Johnson Group Inc, the group's subsidiary in the U.S. Mr Philip Bollam, at present group managing director, will succeed Mr Crockatt as chairman. Mr Terry M. Greer, at present deputy group managing director, will succeed Mr Bollom as group managing director.

★

The Trade Secretary has appointed Mr Christopher Sharp, managing director of the Northern Rock Building Society, Newcastle upon Tyne, to be a member of the organising committee of the MARKETING OF INVESTMENTS BOARD.

★

GRAYSTON WHITE, a subsidiary of BET Plant Services, has appointed as directors Mr Murray C. Padkin, previously a director of Grayston Plant; Mr John M. Powell, with the group since the acquisition of Cheltenham Crane Hire in 1973; and Mr Mike Watson, general manager and a director of Bowmer & Kirkland (Plant), prior to the formation of Grayston White.

★

H. YOUNG HOLDINGS has appointed Mr John Wyndham Lewis to its board. He is managing director of Luc Lacerre et Fils, a company in which Young recently acquired a majority interest.

★

NATIONAL COMMERCIAL BANK OF SAUDI ARABIA has appointed Mr Rodney G. Bath as assistant representative in the London office. He succeeds Mr Patrick J. Bradley, who will be returning to the head office in Jeddah to take up responsibilities in the corporate banking group.

★

KIRK HOLDINGS, parent company of B. B. Kirk (Construction), of Skipton, has appointed Mr Gordon Hedley to the main board. He joined Kirk Construction as managing director in 1984.

★

Mr Hamish Grossart has been appointed a non-executive director of RADIO CLYDE.

★

At BAGGERIDGE BRICK Mr J. G. Turley has retired as managing director but is remaining on the board. He is succeeded as managing director by Mr A. M. Baxter who joined the board on October 1 1984. Another member of the board, Mr J. Passey, has also retired, and will remain on the board as a consultant.

★

BIOMECHANICS INTERNATIONAL has appointed Mr Bernard Wheeler as a director. He was a partner at Touche Ross & Co.

★

Mr Graeme S. Pentecost, regional manager (UK and Europe) of the BANK OF NEW ZEALAND in London, will be returning to the bank's head office, Wellington, in June to become chief manager, New Zealand branch banking. His successor will be Mr John C. Hiddleston, at present a chief manager in the bank's corporate and international division, head office.

★

ALIDA PACKAGING GROUP has appointed Mr Peter Freeman as sales and marketing director, in addition to his present post as sales director of Britannia Packaging, one of the two main operating subsidiaries of the group.

★

TRAVERS MORGAN INTERNATIONAL has appointed Mr Piers Brogan as managing director. He was managing director of the group practice in Australia.

★

FRIENDS' PROVIDENT LIFE OFFICE has elected Mr Michael C. D. Hobbs as a director. He is the chairman of the Canadian subsidiaries, Fidelity Life Assurance Company and Seaboard Life Insurance Company.

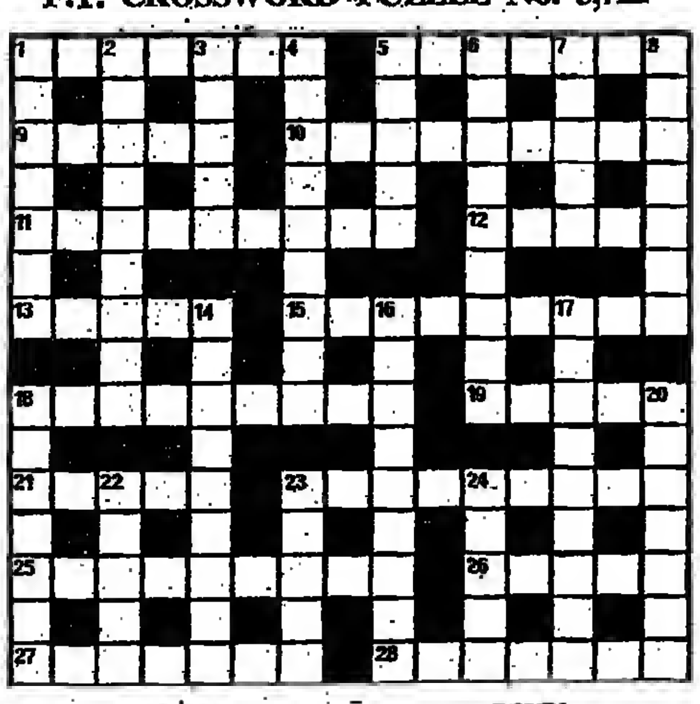
★

The KENT CHEMICAL COMPANY, a member of the Phonotas Group, has appointed Mr Jim Hill as marketing director. He was managing director of group subsidiary, GS Chemicals, which is to amalgamate with Kent Chemical.

★

Mr R. H. (Dick) Stothert has been appointed deputy chairman and Mr Alan A. Bibby technical director of soft d rink manufacturer A. G. BARR.

F.T. CROSSWORD PUZZLE No. 5,722



ACROSS

1 The odd GI sends sketches (7)
5 Parking inside expecting dancing (7)
9 The retreat of a great high-flier (5)
10 Find a welcome carrying people's correspondence (9)
11 Spinning men a story—it's for men only (9)
12 In Essex tradesmen get more (5)
13 Find another tenant touching obstruction (5)
15 Acted within a company—far from good (9)
18 Such ill-nature could cause almost certain row on a ship (9)
19 Gypsy giving a churchman gold back (5)
21 Capital ring for a Montague (5)
23 Guides provided by the way (4-5)
25 A Spaniard caught with rioting Italians (9)
26 It's not usual—not in a branch of the army (5)
27 Figure on following no hack (7)
28 Nothing is taken back in a little department store (7)

DOWN

1 A medico, a mere eccentric idealist (7)
2 Trainee occupying a foreigner—he's killing! (9)
3 Some rogues' smooth talk is suspect (5)
4 Deadlock anything but new to a fellow (9)
5 Hector is a man (5)
6 A claimant before a bid's made (9)
7 Write returns in it, though quite unsuitable (5)
8 Acquired real estate in Scandinavia (7)
14 Habit-forming work maybe (9)
16 The sailor (coloured) didn't drink (9)
17 A gun is carried by lots of ships' pilots (9)
18 Changes scare an Arab (7)
20 A particular honour (7)
22 The artisan gives university people no backing (5)
23 "To . . . is worth ambition though in hell." Milton (Paradise Lost) (5)
24 Get down to dividing bribe (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
National Home, Garden and Leisure Show — LIFESTYLE (01-222 9341) (until May 27) — N.E.C., Birmingham

May 21-23
Heating, Ventilating and Air Conditioning Exhibition (021-705 6707) — Olympia

May 21-24
Chelsea Flower Show (01-834 4333) — Royal Hospital

May 30-June 8
Fine Art and Antiques Fair (01-385 1200) — Olympia

June 3-6
International Freight Industry Conference and Exhibition—WORLDFREIGHT (01-642 7688) — Met. Exhibition Hall, Brighton

June 4-6
Business Computer Show (01-643 8040) — Earls Court

June 11-15
Mexican Exhibition and Conference (01-600 0880) — Novotel, W6

June 4-6
Software Show (01-643 8040) — Earls Court

June 5-9
Bristol Boat Show (0272 298521) — Bristol Exhibition Centre

June 9-13
Shop Equipment and Display Exhibition — SHOPEX INTERNATIONAL (01-868 4499) — Olympia

June 10-14
International Mining Exhibition—MINING (0923 778311) — NEC, Birmingham

June 12-14
The Solicitors' and Legal Office Exhibition and Conference (01-995 8003) — Barbican Centre, EC2

June 16-19
Royal Highland Show (031-333 2444) — Ingliston Showgrnd, Edinburgh

July 1-3
Insurance Information Exchange—exhibition and seminar (01-831 6909) — City Conference Centre, EC3

July 9-11
National Education, Training and Development Exhibition and Conference (01-637 2400) — NEC, Birmingham

OVERSEAS TRADE FAIRS

May 21-23
Electronic Components and Equipment Exhibition—CEX (01-891 5051) — Hong Kong

May 27-31
Brazilian Textile Industry Fair—FENIT (01-486 8686) — Sao Paulo

May 28-31
Asian Water Technology Exhibition and Conference—AQUATECH ASIA (01-437 8404) — Singapore

May 31-June 9
International Air Show (01-439 3964) — Paris

May 31-June 2
International Trade Fair for Cosmetics, Health and Beauty Fair—COSMETICS (01-486 1951) — Munich

June 3-6
ROBOTS 9 Conference and Exposition (U.S. (313) 271-7800) — Detroit

June 10-15
International Energy Conservation Exhibition and Conference (01-968 4567) — Shanghai

BUSINESS CONFERENCES

May 21-24
BIR: Reclamation and recycling—the world's most important exchange of secondary raw *material* (Brussels 02 217.82.51) — Paris

May 22
Institute of Directors: Pensions—an examination of current practice, potential developments and business and personal use (Saddleworth 6942) — Pall Mall, SW1

May 23
Seminars for Secretaries: One-day training seminar (01-736 0134) — Cafe Royal, W1

May 29-31
Dataquest European Semiconductor Industry Conference—"Winds of Change" (01-353 8807) — Hilton Hotel, Vienna

May 29-31
Asia/Pacific Duty-Free Conference (0737 68811) — Hyatt Central Plaza Hotel, Bangkok

June 3-4
FT. Conference: Foreign exchange risk in 1985 (01-621 1355) — Hotel Inter Continental, W1

June 10-11
FT Conference: The Sixth Paper and Pulp Conference (01-621 1355) — Hotel Inter Continental, W1

June 11-12
EDANA: Italian nonwovens symposium (Brussels 02-734.93.10) — Milan

June 11-12
FT Conference: World Gold in 1985 (01-621 1355) — Lugano

June 12
Oyez: Supply, use and carriage of goods—the implications of the new dangerous substances regulations (01-236 4080) — London

June 14
Management Forum: The future of the pharmaceutical market in Great Britain (0483 570099) — Cafe Royal, W1

June 18
B. J. O'Connor International: Japanese materials management (0932 51334) — *Holiday Inn, Heathrow*

June 18-18
FT Conference: World Electronics—Global Market Approach (01-621 1355) — *Hotel Inter Continental, W1*

June 19-20
Offshore Conferences and Exhibition: Offshore tubular joints 1985 (01-549 5831) — *Heathrow Penta Hotel*

June 19
Business Research International: Interest rate options (01-637 4383) — Park Lane Hotel, W1

June 24-25
CommEd: Telecommunications—the European Future (01-733 3456) — Dorchester Hotel, W1

June 26
Financial and Business Exhibitions: Strategies for innovation (01-493 0000) — Tara Hotel, W8

July 2
Royal Institute of International Affairs: European Initiatives in Information Technology (01-930 2233) — Chatham House

July 3
London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-248 4444) — 69 Cannon Street, EC4

July 9-10
FT *Conference: Oil industry* developments (01-621 1355) — London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

High Income				
Gilts & Fixed Int.	109.5	115.9	—	10.55
High Inc Equity	73.3	78.0xd	—	5.95
Worldwide Bond	145.9	155.2xd	-0.5	6.25
Capital Growth				
American Growth	132.9	141.4	+0.5	1.54
Asian Pacific	50.1	53.4	-0.4	—
Assets & Ergs. Tt.	78.2	83.4xd	-0.5	3.47
Capital Reserve	54.3	56.9	—	0.75
Commodity & Engy.	75.1	80.3	-0.3	3.23
General	106.9	114.3	-0.7	2.64
Japan	156.8	168.0xd	-0.2	—
UK Growth Acc Units	107.1	115.2	-0.1	—
UK Growth Dist	75.3	81.0xd	-0.1	—
U.S. Emerging Co's	56.0	59.9xd	+0.4	0.45
Equitas Prog	159.8	172.0xd	-0.4	—

Aitken Hume
30, City Road, EC1Y 2AY. 01-628 4626

American Tech Fd	113.0	120.9	—	0.10
Pacific Fd	126.3	135.1	—	0.20
Secured Income Fd	145.4	155.6	—	5.50
Special Sits	172.1	184.1	—	1.56
Energy Fd	38.9	41.6	—	0.60
American Majors	58.0	62.1	—	1.56
Small Co's Fd	90.3	92.6	—	1.97
Jap. Technology	58.9	63.0	—	0.10
International Income	49.5	53.0	—	7.00
Exempt	471.7	504.7	—	—

Allied Unit Trusts Limited (a)(g)
Allied Hambro House, Hutton, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

Balanced Trusts				
First Trust	169.0	180.0	-0.1	3.96
Growth & Inc Trust	106.5	113.4xd	-0.3	4.06
Capital Trust	193.5	206.1xd	-0.4	2.99
Balanced Trust	287.1	305.7	-0.8	1.55
Accum Trust	432.7	460.9	-1.4	3.13
Income Trusts				
American Income Tst.	29.5	31.4	—	4.75
High Income Trust	186.8	198.9	-0.5	5.58
Equity Income Trust	103.6	109.7	-0.3	5.76
High Yield Trust	115.6	123.1xd	-0.4	6.91
[illegible]				

Brown Shipley & Co. Ltd. (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	48.0	51.6	—	4.24
B.S. Accum	77.2	83.2	—	4.24
Financial	95.5	102.7	-0.5	3.01
Growth Accum	163.0	175.3	-0.5	—
Growth Income	106.3	114.3xd	-0.2	1.71
High Income	49.9	53.7	—	6.39
Income	56.2	60.4xd	-0.3	5.24
North American	51.9	55.8	—	1.18
Orient	46.5	50.0xd	+0.5	0.20
Recovery	27.7	29.8xd	-0.1	3.06
Technology	132.6	142.6xd	-0.5	0.55
Exempt	164.7	177.1xd	-0.6	2.75

Buckmaster Management Co. Ltd. (a) (c)
The Stock Exchange, EC2P 2JT. 01-588 2868

General Inc May 17	168.2	178.0	—	4.27
Accum Units May 17	258.3	270.5	—	4.27
Income May 15	74.2	78.0	—	5.90
Accum Units May 15	124.5	130.8	—	5.90
Intl May 14	105.7	110.9	—	2.50
(Accum Units) May 14	137.4	143.0	—	2.50
&Smaller Co's May 16	902.5	963.9	+7.3	1.25
(Accum Units) May 16	948.7	1,000.0	+7.6	1.25

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY. 01-242 1148

CS Japan Fund	43.9	46.7	+0.8	0.46

Canada Life Unit Trust Mngrs. Ltd.
2-6 High St, Potters Bar, Herts. P Bar 51122

Can. Gen. Dist	91.7	96.5	—	—
Do. Gen. Accum	139.8	147.2	-0.3	3.31
Do. Income Dist.	61.9	65.2xd	-0.2	1.00
Do. Inc. Accum.	121.1	127.5	-0.2	6.06
Gilt & Fxd. Int. Trust	34.0	35.8	-0.1	—

Cannon Fund Managers Ltd. (z)
1, Olympic Way, Wembley, HA9 0NB. 01-902 8876

Growth	226.2	240.6	-1.0	3.55
Income	258.1	269.3	-0.6	5.12
Far East	117.6	125.1xd	+0.2	0.32
North American	120.7	128.1xd	+1.2	1.92

Capel (James) Mngt. Ltd.
100, Old Broad St, EC2N 1BQ. 01-588 6010

Capital	264.7	278.7xd	—	1.99
Income	204.9	215.7xd	—	5.36
North American	234.2	249.7xd	—	1.97

Prices on May 8. Next dealing May 15.

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)(z)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	64.4	68.6	-0.1	3.10
Accum Units	95.2	101.5	-0.2	3.10
Pearl Inc.	87.6	93.2	-0.2	5.05
Pearl Unit Tst.	93.6	99.6	-0.2	3.98
(Accum. Units)	156.1	166.1	-0.2	3.98

Perpetual Unit Trust Mngmt. (a) (z)
48, Hart Street, Henley on Thames. 0491 576868

Growth	180.1	193.3	(z)	1.49
Income	137.5	147.3	(z)	5.50
Worldwide Recovery	105.5	113.2	(z)	2.10
American Growth	57.3	61.5	(z)	0.68
Intl. Emerging Cos.	58.5	62.8	(z)	0.80
Far East Growth Fd.	50.0	50.0	(z)	—

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	106.5	114.1	-0.1	0.40
Prolific Extra Inc.	62.0	66.0	+0.3	5.75
Prolific Gilt Cap.	77.2	80.3	.....	3.42
Prolific High Inc.	129.4	137.7	+0.2	5.04
Prolific Intl.	86.3	92.5	+0.1	1.54
Prolific N. Amer	115.5	123.7	+0.1	1.95
Prolific Spec. Sits.	149.8	159.4	+0.2	1.26
Prolific Technology	114.4	122.6	-0.2	0.79

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.1	51.0	-0.3	0.19
Worldwide	48.1	51.0	.....	1.60
European Trust	46.9	49.7	-0.2	0.95
North American	51.5	54.6	.....	1.32
UK Equity	49.2	52.1	-0.3	3.10

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Prudential	328.3	349.2	-1.5	3.32
Holborn Gilt Tst.	144.7	151.5		9.37
Holborn High Inc.	52.8	56.1	+0.1	0.25
Holborn Intl.	57.2	60.8	+0.1	0.51
Holborn UK Growth	63.6	67.6	-0.2	2.53

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

TSB American	96.8	103.0	-0.5	1.20
Do. Accum.	99.7	106.1	-0.5	1.20
TSB Extra Income	86.9	92.5	.....	6.08
Do. Accum.	96.8	103.0	.....	6.08
TSB General	120.9	128.6	-0.4	3.27
Do. Accum.	192.8	205.1	-0.7	3.27
TSB Gilt & Fxd Int.	45.6	47.6	.....	10.01
Do. Accum.	55.2	57.5	.....	10.01
TSB Income	163.1	173.6	-0.2	4.87
Do. Accum.	241.1	256.5	-0.2	4.87
TSB Pacific	109.3	116.3	.....	1.07
Do. Accum.	111.1	118.2	.....	1.07
TSB International	227.5	242.1	.....	1.91
Do. Accum.	276.9	294.6	+0.1	1.91
Natural Resources	50.0	53.2	-0.5	2.82
Do. Accum.	50.4	53.7	-0.5	2.82
TSB Slctd. Opps.	48.0	51.1	-0.1	2.39
Do. Accum.	51.6	54.9	-0.2	2.39

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	72.0	77.0	-1.0	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	67.4	72.1	.....	0.19
Australia	30.5	32.5	-0.5	0.10
Commodity	101.1	108.7	-0.7	1.54
Energy	47.3	50.6	-0.4	0.65
Equity	102.9	109.8	.....	3.67
European Spec. Sits.	48.4	51.8	+0.3	0.97
Extra Income	87.5	93.6	.....	7.54
Financial	204.8	218.5	-0.5	2.92
Gilt Capital	207.6	217.4	-0.2	3.25
Gilt Income	99.1	103.8	-0.2	9.37
Gold Income	69.3	74.5	-1.1	3.85
Gold Acc.	125.2	134.6	-2.0	3.85
Income	60.4	64.9	-0.2	5.77
Investment Tst.	99.1	105.7	-0.1	1.38
Japan	44.3	47.3	+0.3	0.10
Malaysia & Singapore	28.4	30.3	+0.4	0.88
Pacific Income	70.4	75.3	+0.3	1.02
Pacific Re Inv.	85.4	91.3	+0.4	1.02
Preference Share	15.1	16.3	.....	10.72
Professional	485.3	517.7	+2.3	1.99

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Arbuthnot Securities (C.I.) Ltd. (a)(c)(b)
P.O. Box 428, St. Helier, Jersey. 0534 76077

Dollar Income Tst (z)	$103.0	107.9	+0.4	11.12
Gov't Secs. Tst.	74.0	77.6	+0.1	11.89
Yen Bond	Y197	207	—	5.80
Sterling Fd	178.8	178.9	—	
Japan Growth	225.5	231.8	....	0.45

Next dealing May 29. Y May 22.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey. 0534 75141

Dollar Fund	$20.29	10.39	...	
Sterling Fxd Inc	9.64	9.67	...	9.75

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland
Bond Std April 19 SF10,925 11,500 ... —

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman
Liquibaer J. Baer SFd. S1,309 1,310 +4 —

Bamford Brandt Guernsey Mngt. Ltd.
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm.	7.73	8.17	—	—
Int. Growth	$14.50	15.36	—	—
Pac. Basin Fund	$24.86	26.37	—	—

Bank of America International S.A.
35 Boulevard Royal, Luxembourg GD
Worldinvest Inc $120.88 121.48 +1.87 9.08
Valued weekly on Wednesdays

Bank of Scotland
4 Don Rd, St. Helier, Jersey. 0534 38055
Man Mkt Chq Acc Jersey 12.05 ... —

Barclays Isle of Man Prime Account
PO Box 9, Douglas, IoM 0624 29331
High Int. Chq 12.25 .... —

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

EBC Trust Company (Jersey) Ltd.
1-3 Seale St, St Helier, Jersey. 0534-36331

International Income Fund

US$ Dep Short 4	$1.5720	+0.0001	4.66
Do. Dist	$1.0185	+0.0001	9.66
Med Cur Stl term &	$1.1338	+0.0029	8.00
Do. Dist	$0.8652	+0.0022	6.00
Eurobd Long Term	£21.25	—	10.80

European Banking Traded Currency Funds

*Offer price includes 3% prelim. charge.

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738
E.A. Far East $10.30 10.91 — —
Next dealing May 2?.

Ermitage Management Ltd.
19 Royal Square, St Helier, Jersey, C.I. 0534 76007

External Fund	$18.72	18.90	—	—
Bond & Cash Fd	$9.84	9.29	—	—
Cash Fund	$20.17	—	—	—

Ermitage Management Cayman Ltd.
PO Box 2192, Grand Cayman, B.W.I.

Gam Ermitage	$13.88	—	—
Cayman Cash Fd	$10.25	—	—

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury House, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations $43.94 +0.31 1.23

Eurotax Investments Ltd.
1, Athol Street, Douglas, Isle of Man.
UK Agents FIS St Albans. 0727 33166

Hambros Fd. Mgrs. (C.I.) Ltd.
PO Box 86, Guernsey.

Henderson Admin. (Guernsey)
PO Box 71, St Peter Port, Guernsey

Hill Samuel Fd. Mngrs. (Guernsey) Ltd.
PO Box 16, 35 High St, St. Peter Port, Guernsey

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $12.48 — −0.07 —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.26	−0.12	—
Dynamic Gwth Fd	$8.35	−0.11	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.4	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.51	9.38	13.89	6mth
7-day Fnd	12.66	9.47	14.07	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.14	9.07	13.38	6-Mth
7-day Fund	12.37	9.25	13.65	6-Mth
Dollar	6.87	—	—	6-Mth
Money Mngt. Acct.	12.00	8.97	13.59	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Current Acc.	12.25	8.75	13.09	qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.50	9.34	14.03	Qtr
Mth. Int. Chq.	12.375	9.25	14.05	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	12.05	9.00	13.40	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.00	13.49	Qtr
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	12.06	9.02	13.426	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.375	9.25	13.79	Mth
U.S. Dollar	8.00	6.98	8.30	Mth
German Marks	5.0	4.75	5.12	Mth
Swiss francs	3.00	1.50	2.02	Mth
Japanese Yen	5.00	3.74	5.12	Mth
Citibank Savings St. Martins Hse, Hammersmith Grove, W6 0NY 01-748 [illegible]				

OFFSHORE AND OVERSEAS

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15Jan	15July	Treas 11½pc 1985	99⅜	10.12	11.52	12.70
3 Mar	3 Sept	Treas 8½pcCnv '85	98⅛	25.1	8.83	12.41
22 May	22 Nov	Exch. 12¼pc 1985	99⅜xd	15.4	12.26	12.29
25 Aug	25 Feb	Exch. 11¼pc '86	99¼	21.1	11.70	11.99
11Oct	11Apr	Treas. 10pcCnv 1986	98¼	5.3	10.17	11.90
19 Nov	19 May	Treas 3pc 1986	94⅝	15.10	3.17	8.74
19 Nov	19 May	Exch. 10½pc Cv '86	98¼	15.10	10.63	11.86
12Dec	12Jan	Treas 12pc 1986	100¼xd	7.5	11.97	11.79
10 Jan	10 Jul	Treas 8¾pc 1984-86‡‡	96¼	4.12	8.79	11.60

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec	July	Young Brew 'A' 50p	288	26.11	†5.5	2.8	3.8	18.6
Dec	July	Do. Non. V. 50p	138	26.11	†5.5	2.0	5.7	12.3

BUILDING, TIMBER, ROADS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	AMEC 50p	254xd	13.5	11.0	2.3	6.2	10.0
July	Nov	Aberdeen Const.	186xd	13.5	7.25	♦	5.6	♦
March		‡Access Satellite 5p	278	11.2	12.0	2.5	1.0	54.5
—	—	Allied Plant 5p	21½	—	8—	—	—	—
—		‡Arnco Ind Hldgs.	22	—	—	—	—	—
May	Nov	Arncliffe 10p	46	15.4	0.1	♦	0.3	♦
July	Jan	Atwoods	98	10.12	3.5	1.8	5.2	17.0
Jan.	Aug.	BPO Inds. 50p	255	10.12	†7.0	3.5	3.9	9.2
Feb.	Aug.	Baggeridge Brick	264	24.12	6.25	3.7	3.4	11.3
Jan.	June	Bailey (Ben) 10p	24	29.4	‡1.5	2.9	‡	4.4
—		‡Baldwin (H. J.) 10p	25	01'80	—	—	—	9.8
May	Nov.	Barratt Dev. 10p	84	15.4	7.62	1.1	11.0	10.3
Jan.	July	Bellway	130xd	13.5	7.0	2.0	7.7	8.7
May	Oct.	Benford M. 10p	64	29.4	3.75	0.7	8.4	34.0
—		‡Berkeley Group	156	12.4	‡3.6	2.6	3.3	18.7
Mar.	Aug.	Bell Bros. 20p	68	11.2	‡3.1	1.8	7.4	9.2
June	Oct.	Blockleys 20p	580	15.4	21.0	♦	5.2	♦
Oct	July	Blue Circle £1	550	29.4	20.0	♦	5.2	♦
Oct.	May	Breedon Lime	218	15.4	8.9	♦	3.8	♦
Jan.	Aug.	Brickhouse Dudley 10p	62	10.12	3.2	1.7	7.4	11.2
Feb.	Oct.	BB & EA	130	24.12	†3.0	4.8	3.3	7.6
Jan.	June	British Dredging	70	15.4	2.5	♦	5.1	♦
—	—	Brown Jackson 20p	16	9/82	8—	—	—	3.7
Jan.	July	Brownlee	72	10.12	†3.5	3.1	6.9	6.6
Nov.	May	Bryant Hldgs.	74	15.4	†3.0	3.0	5.8	8.0
Aug.	Jan	Burnett & Hallam	40	26.11	8.75	0.8	31.2	6.0
Jan.	July	Cakebread Rby. A 10p	55	12.11	3.0	2.3	7.8	7.5
Jan.	July	Carr (John)	89	10.12	♦1.45	4.5	2.3	13.6

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	......	Arnott	169xd	......
Craig & Rose £1	£9	......	CPI Hldgs	50	......
Finlay Pkg. 5p	59xd	......	Carroll Inds.	119	......
Higsons Brew	157	......	Dublin Gas	58	......
Holt (Jos) 25p	750xd	......	Hall (R. & H.)	55	......
IoM Stm. £1	87	......	Helton Hldgs.	16	+1
IRISH			Irish Ropes	43	......
Fund 13¼% 1988	£96¼	......	Jacob (W. & R.)	75xd	......
Nat. 9¾% 84/89	£90½	......	Unidare	85	+2
Fin. 13% 97/02	£99	+¼			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	52	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd.	38	Vickers	19
BSR	16	Hse of Fraser	38	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	18	Cap Counties	18
Barclays	48	Jaguar	20	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen.	58	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	28	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min.	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	08	Burmah Oil	28
Burton Ord	39	NEI	8	Charterhall	4
Cadburys	14	Nat West Bk	60	Premier	8
Comm Union	19	P & O Dfd.	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	28	**Mines**	
Dunlop	6	RHM	11	Charter Cons	19
FNFC	8½	Rank Org Ord.	32	Cons Gold	49
Gen Accident	45	Reed Intl	08	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met.	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Problems surround the dollar

BY COLIN MILLHAM

The dollar is around the mid point in its movements against the D-mark over the last year or so. At the beginning of April last year it was around DM 2.60. Just under 11 months later the dollar hit DM 3.4510 but only two months later was back to DM 2.9730. Earlier this month the U.S. currency showed signs of another strong surge, and threatened DM 3.20, only to slide back again.

Although the dollar's rise last year, and at the beginning of this seemed relentless, there were in fact quite long periods of retrenchment. The fall from February's peak has so far been much steeper than the earlier rise, and although the currency has shown resistance recently above the DM 3.00 level this may simply be the reversal of last year's process.

Admittedly the central banks, and particularly the German Bundesbank were instrumental in the set back to the dollar in October but the general trend was still for a sharp rise to be followed by weeks of consolidation, where profits were taken, before new positions were taken out.

The dollar's strength was the result of strong economic growth and high interest rates, but the picture has now become much more confused. Growth in the first quarter of this year was disappointing, and although a rebound has been anticipated in the current quarter, last week's figures were not encouraging. A rise of 0.9 per cent in April retail sales was below most forecasts and the fall of 0.2 per cent in industrial production indicated that whatever growth there is in the economy is not being fed by U.S. industry.

Lower interest rates should help sections of the economy, such as agriculture, suffering from the high cost of borrowing, and revive some lost confidence in the condition of the banking system.

A cut of half a point to 10 per cent in Bankers Trust's prime rate earlier in the week had little impact, but was followed by similar moves from Citibank and Chase Manhattan on Friday after the Federal Reserve trimmed its discount rate by half a point to 7½ per cent.

STERLING INDEX

	May 17	Previous
8.30 am	78.9	78.9
9.00 am	78.9	78.9
10.00 am	79.0	78.9
11.00 am	79.2	78.8
Noon	79.1	78.8
1.00 pm	79.1	78.7
2.00 pm	79.4	78.7
3.00 pm	79.1	78.9
4.00 pm	79.0	78.9

£ IN NEW YORK

	May 17	Prev. close
£ Spot	$1.2700-1.2710	$1.2585-1.2610
1 month	0.48-0.47 pm	0.50-0.49 pm
3 months	1.37-1.35 pm	1.36-1.34 pm
12 months	3.56-3.47 pm	3.50-3.43 pm

Forward premiums and discounts apply to the U.S. dollar

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.2650	1.2602	1.2516	1.2414	1.2298
D-Mark	3.8825	3.8593	3.8158	3.7565	3.6605
French Franc	11.8675	11.8425	11.8195	11.7575	11.7175
Swiss Franc	3.2700	3.2480	3.2100	3.1580	3.0650
Japanese Yen	317.0	315.3	312.1	307.0	300.0

POUND SPOT—FORWARD AGAINST POUND

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2490-1.2665	1.2645-1.2655	0.50-0.47c pm	4.60	1.37-1.32pm	4.25
Canada	1.7202-1.7369	1.7325-1.7365	0.53-0.45c pm	3.38	1.28-1.15pm	2.81
Nethlnd.	4.38½-4.73½	4.39¼-4.40¼	2⅝-2c pm	5.63	6⅛-5⅞pm	5.46
Belgium	78.16-78.65	78.55-78.65	26-21c pm	3.59	70-61pm	3.33
Denmark	13.91½-14.01	13.97-13.98	4⅞-3¼ore pm	2.78	11½-10½pm	3.17
Ireland	1.1786-1.1905	1.1835-1.1845	0.15p pm-0.01d	−0.71	0.31pm-.13d	−0.30
W. Ger.	3.87¾-3.90	3.87¾-3.88¾	2⅛-2¼pf pm	7.15	6¾-6½pm	0.83
Portugal	218-224	220-224	95-420c dis	−13.92	320-1205dis	−13.74

Belgian rate is for convertible francs. Financial franc ... Six-month forward dollar 2.39-2.34c pm. 12-month 2.60-2.45c pm.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.1448	+0.54	+0.63	±1.5471
Danish krone	8.14104	8.04756	−1.15	−1.06	±1.6419
German D-mark	2.24184	2.24161	−0.01	+0.08	±1.1475
French franc	0.87456	6.84079	−0.49	−0.40	±1.3689
Dutch guilder	2.52595	2.53276	+0.27	+0.36	±1.5171
Irish punt	0.72569	0.716580	−1.26	−1.17	±1.6673
Italian lira	1403.49	1430.68	+1.94	+1.94	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

*CS/SDR rate for May 16: 1.38012.

EXCHANGE CROSS RATES

May 17	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.226	3.883	317.0	11.87	3.270	4.388	2480.	1.735	78.60
U.S. Dollar	0.781	1.	3.069	900.7	2.370	8.583	3.478	1957.	1.371	22.10
Deutschemark	0.258	0.385	1.	21.62	3.057	0.849	1.133	640.1	0.447	20.24
Japanese Yen 1,000	3.155	3.991	12.26	1000.	37.44	10.32	13.87	7239.	5.472	247.9
French Franc 10	0.843	1.066	3.272	267.1	10.	2.720	3.705	0094.	1.462	66.83
Swiss Franc	0.306	0.387	1.127	96.94	3.622	1.	1.345	709.9	0.530	24.04
Dutch Guilder	0.297	0.288	0.883	78.09	8.699	0.744	1.	666.1	0.394	17.87
Italian Lira 1000	0.402	0.509	1.562	127.6	4.776	1.312	1.770	1000.	0.698	31.63
Canadian Dollar	0.077	0.720	2.238	182.2	0.842	1.886	2.536	1433.	1.	45.32
Belgian Franc 100	1.272	1.609	4.940	403.5	15.10	4.160	5.095	3162.	2.207	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

May. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lire	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12½-19¾	2-8⅛	2¾-9¼	0⅝-6⅛	4¼-4¾	5⅜-0½	10-10⅛	11½-18½	2⅝-9⅞	0¾-10	6-6	2 8¾
7 days' notice	12⅝-18¾	2-8⅛	8-0½	2⅛-6	1⅞-9⅛	5-5	10-10⅛	12-12	2⅛-9¾	9¼-9½	8⅛-0¼	7⅞-0
Month	18-12	8-8	9¼-9½	5-6	4-5	0½-5⅝	10-10	12-12½	9 2¼	2 0¼	0¼-5	0⅛ 2¾
Three months	12-12¾	8-8	2⅛-2¾	0¾-6⅞	5⅛-5¼	5½-0⅝	10-10	12⅛-12⅞	2⅛-9¾	2¼-9⅛	6-0⅝	9¼-0½
Six months	18-12	2⅝-2½	2-9	0¾-0⅞	0⅛-5¼	0⅝-5¾	10-10	13⅛-13⅛	9⅛ 2⅝	2¼-9⅛	5-6⅝	2⅛ 2⅞
One year	19¼-18	8 9	10-10¼	2¾-6⅞	5-6	5-5	10⅝-10¾	13¾-14⅛	2⅝-9⅞	8⅝-2⅞	6-5	8⅞ 10¼

Asian $ (closing rates in Singapore): Short-term 8¾-8¾ per cent; seven days 2¾-8¾ per cent; one month 8¾-8¾ per cent; three months 8¾-8¾ per cent; six months 8⅞-8¾ per cent; one year 8⅞-9 per cent. Long-term Eurodollars: two years 9¾-10¾ per cent; three years 10½-10⅝ per cent; four years 10⅝-10⅞ per cent; five years 10⅞-11⅛ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Restraints on lower rates

This quiet period on the London money market is set to continue for several weeks and possibly for some months. There was little reaction to Friday's inflation figure. The rise of 6.9 per cent in year on year UK retail prices in April was a little more than anticipated, but a large part of the monthly rise was caused by rising mortgage rates, which were in turn the result of a sharp increase in London interest rates.

Since this was done to support the pound, and has proved justified, at least to some extent, by a large rise in money supply and high bank lending, the inflation figure was water under the bridge as far as the foreign exchanges and money market were concerned.

The market does not believe the next set of money supply figures can be anything but much better than the last, but may want to see another improvement before putting strong downward pressure on interest rates. It may therefore be well into the summer before another cut in clearing bank base rates takes place, and this is the reason for the lack of movement on the London market at present.

Three-month interbank is locked around the Barclays and Midland Bank base rate level of 12¾ per cent, and the flatness of the reversed yield curve shows there is little anticipation of movement in rates for some time.

Although domestic events are a major restraint on any downward move in London interest rates, it remains to be seen whether the fall in U.S. rates will bring about any earlier reduction on this side of the Atlantic.

Recent comments by Mr Paul Volcker, chairman of the Federal Reserve Board, hinted at an easing of U.S. monetary policy, but the cut in the Fed's discount rate on Friday ahead of tomorrow's Federal Open Market Committee meeting came as something of a surprise.

UK clearing banks base lending rate 12½-12¾ per cent since April 19.

MONEY RATES

May 17	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	2.35-5.45	10⅛	1¼-1¾	7½-7¾	0.03105	15-15⅝	10.10	12⅝-18⅝
One month	5.85-5.90	10-10	4¾-5	7-7⅛	6.28120	14⅝-14¾	0-0¼	12⅝-18⅞
Two months	0.85-6.90	10-10	—	—	—	—	—	12⅛-18¾
Three months	5.70-5.85	10⅛-10¼	4⅞-5⅛	6-7	5.34375	14⅞-15¼	0¼-0⅝	12⅛-12¾
Six months	5.70-5.90	10-10	—	6-7	—	—	9¼-8½	12⅝-1⅞
Lombard	0.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	0⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

(11.00 a.m. May 17)

3 months U.S. dollars

bid 8 5/16	offer 8 5/16

6 months U.S. dollars

bid 8 5/8	offer 8 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

FINANCIAL FUTURES

LONDON

CHICAGO

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES SURVEY

TURKEY

Under Mr. Turgut Ozal's leadership, Turkey is pressing ahead with bold economic and legal reforms. At the same time the transition to full democracy is proceeding steadily. But the country also has pressing social and economic problems which make the need for change urgent.

Terry Kirk

President Evren (left, in the centre picture) is the guardian of the 1982 Constitution which aims to provide stability as the country moves rapidly away from its traditional village life and becomes a modern urban and industrial s ociety (symbolised by the headquarters of the Turkiye Is Bankasi in Ankara (top, right)

Vital need for reforms

By David Barchard
Ankara Correspondent

TURKEY, as it looks towards the rest of the 1980s and beyond, seems better placed today than for half a century to translate into reality Ataturk's goal of catching up with Western Europe and the modern world.

Yet, underlying the sense nf dynamism animating the country there remains a certain fragility. The process of economic and political convalescence *from the convulsions of* the 1970s is not yet fully over, and it may be several more years before full normality is restored.

National life is still dominated by the energetic and ambitious reform plans of the Prime Minister, Mr Turgut Ozal. "Turkey lagged behind, unnecessarily, in administration, legislation and all the organisation we need to become a modern society and an industrial economy," says one of Ankara's leading businessmen.

"Now the Prime Minister is trying to cram legislation and reorganisation which would normally take decades into months and years. It's a race against time. Sooner or later, the Prime Minister will die or another government will come to power. It's vital for the country that he should go as *far as he can in the process of* updating our institutions while he has time."

It is prohably because, whatever their political opinions, most Turks agree with this viewpoint to some extent, that Mr Ozal faces relatively little active opposition on most issues. Very few areas of natinnal life will be left unaffected by his changes.

Industry is being prodded into export-directed activities, with new emphasis on quality control and cost efficiency. Turkish consumers ean, et a priee, *buy imported goods* which were long unavailable. By the end of the decade, most imports into Turkey will not be subject to prior permission, while exporters will have learned to live without subsidies.

Farmers—who still make np nearly half the working population—are being encouraged to take up new crops and methods. Decades nf featherbedding have ended and for the first time, producers face direct competition with limited food imports.

Efforts are underway to privatise many of the unwieldy, and usually unprofitable, State Economic Enterprises (SEEs) which have been a drain on the Treasury and a brake on the country's industrial progress. The banking system and money markets are being gradually restructured and the develop*ment of a secondary money* market is being contemplated.

In eddition to all these changes, the Government is also trying tn press ahead with majnr infrastructural projects sueh as the giant Ataturk Dam on the Euphrates, the second Bosphorous Bridge, a metro and tunnel system for Istanbul, modernisation of the highways and railway system, and above all spending on telecommunications and energy.

More self-confidence

It is not simply ambition to catch up with Turkey's allies in Nato or the European Communities which spurs these changes. To some extent the country is racing against time. If it wins, then it will emerge early in the next century as a strong indnstrial and urban power. If it loses, it may face intractable social and political problems.

There are both optimists and pessimists among the Turkish people about the conntry's fnture—but despite all the problems of the last 15 years, *the degree of self confidence* seems to be growing, as Turks find they can tackle successfully previously unfamiliar activities such as electronics, overseas contracting, engineering, and exporting.

But the risks are serious ones. Turkey's statistical profile is that of a young society in a *state nf flux. Population growth* may be slowing down, but at around 2.3 per cent annually it has social and political consequences whieh are hard to handle. Nearly half a million young Turks are added to the labour market every year. Unemployment is believed to be around one in five nn average. In some regions, notably in the east of the country, the percentage is very much higher.

The hirth rate creates severe imbalances in rural society and has led to a flight from the village to the hig cities which creetes further problems. Over the last few decades, cities sueh as Istanbul and Ankara have seen their populations growing by an average of 6 or 7 per cent a year—a figure which would be hard for any administration in the world to cope with.

Unemployment, rising expectations, severe inequality hetween income groups and hetween regions, cultural tensions between the generations —nearly 60 per cent of Turks are under 20 years of age and there are marked differences in attitudes betwean young urban Turks and their more rural parents—it all edds up to an explosive mixture which in part explains why during the late 1970s the country's social and political order came near to breakdown.

Rapid progress towards industrialisation has long been *diagnosed by almost all Turks* as the only viable option for the country. In the 1930s, when private entrepreneurs and private capital were not available, the country made its first bid to industrialise through the establishment of some basic industries by the state.

After 1963 high growth rates were again sehieved, this time by the private sector, by new industries oriented towards the lively and rapidly expanding domestie market. The policies brought immediate gains for many Turks—hut led eventuelly *intn a cul de sac*. The necessary imports of raw materials and capital equipment could only be sustained up to a certain point by Turkey's earnings from agricultural exports (in those days about two-thirds of its total exports).

Since 1980, the country's industries have been forced—painfully for some—to turn to export markets.

Turkey's balance of payments problems, while still needing attention, have become manageable. Industrial exports on a highly diversified base now *make up two-thirds of the total.* In half a decade there has been a switch from antarky and isolationism and a gradual transformation into a "merchant state" determined to earn its way in the world.

The political and economic costs of this transformation are high but they are proportionate *to the likely benefits.* No plausihle alternatives have so far been suggested—and when Mr Ozal was edged from office and replaced by a critic in 1982-83 at the economic helm, Turkey's eeonomic recovery quickly started to show signs of wilting.

Transformation

The costs and the risks affect four social groups: the large holding companies whleh grew up under the import-substitution policies of the 1960s and 1970s. Most seem hroadly to aecept, et an intellectual level, the need for what Mr Ozal is doing. Accepting it at a business and political level is much harder if you are unahle to make new investments and some of your subsidiaries are surviving only on the tolerance of banks who have been prepared not to foreclose on outstanding loans compounding at between 60 and 80 per cent annually.

From time to time, therefore, breezes of criticism have drifted from parts of the business world. Pressure would probebly have been much stronger if Mr Ozal had not established such a strong political base after the elections of 1983 and 1984.

The bureaucracy and other fixed income groups have also little to thank Mr Ozal for. Pay scales have been held down and living standards eroded. Many civil servants have an elitist outlook and are mildly sbocked by Mr Ozal's proposals to limit the extent of government control and to sell off SEEs. The criticism would be serious here if it affected members of the officer corps as well. So far, the signs seem to be thet it does not. But Turkey's civil service is traditionally an enormously influential interest group able to drag its heels if it wishes.

Pressure from the other two social groups—organised labour and the intelligentsia and students—has to a considereble extent been contained by the provisions of the 1982 constitution, and the legislation whieh followed it. Political activity, writing, unionism, the press, and aeademie life are all at present more closely supervised than was the case in Turkey a decade ago. Even when—probably in another year or two—martial law is finally lifted in the country's three major cities of Ankara, Istanbul and Izmir, the new legislation will remain.

Turkey's military as well as Mr Ozal regard it as necessary to prevent a return to social and economic ehaos. They strongly resent Western and European criticism on these points, regarding it both as interference in the country's internal affairs

CONTINUED ON PAGE 16

CONTENTS

TURKEY 2

Politics

ALTHOUGH Mr Ozal still dominates the political scene 18 months after Turkey's first general elections since the 1980 military revolution, rivals are emerging. Their challenge outside Parliament is also likely to prove a threat to his economic reforms. Meanwhile, the military continue to exert a powerful behind-the-scenes influence as the guardian of the new constitution.

Turkey's new single chamber National Assembly has been placid since the 1983 elections but the parties outside it are now gearing up for the chance to win seats in it next year

The start of the big sort-out

The mid term elections

DAVID BARCHARD

JUNE 1986, is a date which Turkish politicians are beginning to note down in their diaries. That is the month when the electors will be given a partial chance to express their views on the major political parties in elections to empty seats in Parliament.

It looks like being a complicated race with more at stake than simply a test of Mr Turgut Ozal's popularity.

Turkey's present political parties are all fledglings. They were set up in 1983 when the military lifted a ban on politics, imposed in 1981 when all the pre-coup parties (most of them with traditions going back decades) were shut down. The old parties were confidently expected to re-emerge under new labels.

In due course they did. However, in the meantime, the military had encouraged the formation of two parties, one rightwing and one delicately centre-left, and only allowed these and Mr Ozal's Motherland Party to contest the 1983 General Elections.

As is generally known, Mr Ozal trounced his rivals and went on in freer local elections to keep his first place against a challenge from the parties excluded from the general elections.

This has produced a curious, if temporary, six-party system which may be sorted out in the June 1986 by-elections and the 1988 General Election.

It also means that until then, the second and third largest parties in the country, are not represented in parliament, have limited official recognition (though they do get some state aid), and are seldom allowed broadcasting time—even though two parties which seem doomed to extinction in 1988 enjoy all these things.

One of the key questions of Turkish politics is whether the left or the right is the more split. Both offer the voter a choice of three.

On the right, with the ineffectual Nationalist Democracy Party, expected to disappear, the basic battle is between Mr Ozal's Motherland Party and the True Path Party, set up by supporters of the ousted premier of 1980, Mr Suleyman Demirel. That battle is complicated by subdivisions in each party.

For the present however, the advantage clearly rests with Mr Ozal's Motherland Party. It not only enjoys the fruits of office. It is also untainted by the bad record of the politicians of the pre-coup period. But it is a very new growth and was forged out of very divergent right-wing elements by Mr Ozal in 1983.

It looks, however—following a triumph for the Prime Minister at the party congress in April—as if its unity is guaranteed for the time being. Its fortunes will probably rise or fall with the outcome of the Prime Minister's economic policies.

The Prime Minister's main rival, Mr Suleyman Demirel, is banned from politics for 10 years. His chance will come if the electorate were to hanker for a return to the status ante-Ozal. The True Path Party got only 13 per cent of the votes in the 1983 local elections. It has since been agitated by a bid for its leadership by Mr Mehmet Yazar, the former head of Turkey's Union of Chambers of Industry and Commerce.

A similar rivalry may clip the wings of the Social Democracy Party, the country's second largest. Its leader, Mr Erdal Inonu stepped reluctantly into the breach in 1983 and his party, Sodep, has become the main inheritor of the 30 to 40 per cent of Turkish votes which used to go to the centre-left Republican Peoples Party.

But in August this year, another left-wing party, tacitly backed by Mr Bulent Ecevit the Social Democrat former Prime Minister, will be set up. It is unlikely to get as many votes as Sodep — but it will probably keep Sodep from making a breakthrough. Rank and file members of the new party privately admit that it will probably take more than two elections before all the votes on the left are back under one umbrella.

This news will probably not be altogether unwelcome to those international bankers and businessmen who worry that anyone but Mr Ozal in power would probably put a halt to his economic reforms.

However, among politicians, sights are already being set on some sort of coalition deal in 1988 or earlier if Mr Ozal were to bring the election date forward. Mr Ozal, confident as always, maintains that he will win an outright majority. But if he doesn't, then his Motherland Party may have to go into coalition, most probably with the True Path Party.

There have already been hints from the Ozal camp that if Mr Demirel were to "transform himself into a nationally accepted figure," he might find it possible not only to get the ban on his political activities lifted — but even to stand as a candidate for the most glittering prize of all, the Presidency itself when President Evren steps down in 1989.

Others however point out that if he still wants the job, President Evren may be technically eligible to stand for a second term that year.

In the short term, Turkey's political life seems rather anaemic with a novice parliament and an ineffectual opposition. But at constituency level, all the major contenders are putting in efforts to build up their parties, aware that the present becalmed state of Turkish politics is not going to last for ever.

A trouble-shooting team leader

The Ozal style

DAVID BARCHARD

Prime Minister Ozal, leader of the Motherland Party after victory in the general elections two years ago; after last year's administrative shake-ups there is plenty to wave about

WHEN Mr Ozal took over as Prime Minister in December 1983, he brought with him a distinctive style of administration. The cabinet was reshaped with eight ministers of state, attached directly to the Prime Minister's office, directly supervising problem areas.

Responsibility for the economy was divided between the powerful Undersecretariat of the Treasury and Foreign Trade (a new creation) and the State Planning Organisation, with the deputy prime minister, Mr Kaya Erdem, one of Mr Ozal's most loyal and trusted lieutenants, acting as a kind of general co-ordinator.

Other names stood out. Mr Adnan Kahveci, believed to have been vetoed for a ministerial job, was given the title of Chief Adviser to the Prime Minister. The government spokesman, Mr Mesut Yilmaz, occupied a prominence which had not been enjoyed by most of his predecessors.

In the Motherland Party, Mr Halil Sivgin—identified by his critics in the Turkish press with the far right wing of the party — occupied the limelight.

Finally, in April, 1984, the prime minister's youngest brother, Dr Yusuf Bozkurt Ozal, was brought home from Washington where he had been working with the IFC, and made head of the state planning organisation.

Behind these changes, there seemed to be an effort to restructure Turkey's creaky bureaucracy in a way which would enable Mr Ozal's men to bring as much direct pressure as possible to bear on particular problems. This impression was heightened in May 1984, when a vast series of administrative shake-ups placed most of the state sector under the particular responsibility of various individual ministers of state.

In most sectors of course, it will take time before Mr Ozal's administrative shake-down can be properly assessed. There have been some complaints that authority is now too fragmented. "You have the steel sector divided between the Ministry of Industry which handles some plants" says an Istanbul businessman "and the private sector where there is no sectorial control and the Minister of State handling some other plants. An overall approach for the sector and more co-ordination is really what is needed."

"Plus ca change, plus c'est la même chose," says another Ankara businessman airily. The system of ministers of state produced one trip-wire in January this year, when Mr Ismail Ozdaglar, who had been a trouble-shooter in the energy sector, was forced to resign after being accused of demanding bribes from a Turkish shipping magnate.

Mr Ozdaglar's case is currently being investigated by a parliamentary committee and he is likely to be tried by the Supreme Court later this year. The case sparked off public criticism against Mr Ozal's chief adviser who had advised the shipowner to tape-record his conversations with Mr Ozdaglar.

Mr Ozdaglar's resignation followed that of the Finance and Customs Minister, Mr Vural Arikan, some months earlier. There has been talk of other cabinet changes including possibly that of foreign minister. To some, this reflects the fact that in 1983 the Prime Minister had to pick a relatively inexperienced team. To others, political factors are the key.

These certainly played a part in the dropping of Mr Halil Sivgin as deputy chairman of the Motherland Party in April at the Party Congress. Mr Ozal's overriding concern is to hold the party together and Mr Sivgin had appeared to be building up his own power-base.

Among the new faces at the top of the party is that of Mr Bulent Akarcali, a western-educated journalist who is fluent in English and French and now handles the party's external relations. His promotion to the party's executive committee was seen as a sign that Mr Ozal was deliberately encouraging the political centre to assume more prominence.

The same lesson is generally drawn from the rise of Mr Mesut Yilmaz. Sometimes tipped as the next Foreign Minister, Mr Yilmaz is still only 35 but he has become one of the key figures in the cabinet. There are even those who see him as a possible successor to Mr Ozal, though his role so far appears to be more that of a trusted staff officer.

Other key figures in the administration are Mr Ekrem Pakdemirli at the Undersecretariat of the Treasury and Foreign Trade and Mr Yusuf Bozkurt Ozal. Mr Ozal has quickly grown into his new office and though the Ozal Government is sometimes criticised for relying on relatives of the Prime Minister, Mr Yusuf Bozkurt Ozal is not among the names criticised. "A very sharp negotiating mind," says one head of a foreign company who has done business with him.

Mr Pakdemirli — an indefatigable negotiator — now seems a much more established figure than he did a year ago. His Undersecretariat — whose powers replaced those of the formerly influential but very conservative finance ministry — is no longer challenged but seems to be a part of the landscape.

The system of administration remains very much an *ad hominem* one. Plans in the Prime Minister's office seldom seem to be cast far in advance and schedules can change abruptly without warning. This is perhaps inevitable in a Government which sees itself as racing against time in an effort to push through reforms and break the bureaucratic mould which formerly encapsulated Turkish administration.

Martial law starts to relax

IN THE PAST six months, the last remnants of the military presence has virtually faded from tha streets of Ankara. The withdrawal to tha barracks may he partly to establish Turkey's credentials in Europe and tho West as a country in transition to democracy.

More important, however, are internal considerations which make the military wish to maintain a lower profile. As one observer puts it: "The Armed Forces need to retain their popularity as a means of pulling the carpet out from under the political opposition."

The attitude of conscripts who make up more than half the massive 600,000-strong Turkish armed forces is also a factor. "They don't want to bear that (the return to democracy) is not working."

Like most Turks, the conscripts see the military as the country's saviours, the force which stoppad he anarchy and terrorism of the late 1970s that claimed more than 5,000 lives.

Unlike their officer counterparts, however, they do not have any vested interest in military rule and they genuinely appear to believe in President Kenan Evren as the guardian of the country's democratic framework.

Martial law has been lifted in all but 23 of the 67 provinces and a loosening up of the tight disciplines imposed after the 1980 coup seems to be well under way. However, in the major cities martial law remains in force. Among other things, this means that trials in martial law tribunals, something relatively common for civilians in Turkey, continue.

Civilian political life is reviving and the military have established a good working relationship with Mr Turgut Ozal and his ruling Motherland Party, despite some fierce disapproval of the party's Islamic clericalist wing.

Nowadays there are tallies by political leaders—and frequent vocal criticism of the Government's economic policies from wage-earners and the press. *Political discussion, however,* remains limited by laws pushed through after the 1980 military takeover.

Arguing that political liberalisation would mean a return to fighting in the streets—an argument even some left-wing Turks would find it difficult to deny—President Evren has set his face sternly against any amendments to the strict Constitution of 1982, during his term in office ending in 1989.

Elsewhere the supervisory mechanisms created by the military continue to operate. One such is the Higher Education Board or YOK, which was set up by the military and

The Army
STEPHANIE GRAY

has been responsible for the dismissal of hundreds of university teachers—mostly for alleged laft-wing leanings — *without* right of appeal or explanation. The military blame them for the unrest of the 1970s.

For all the criticism of these restrictions and of the limitations placed on trade union activities, torture, and of the country's human rights record, there seems little likelihood that the transition to democracy *will* be speeded up.

The parties in Parliament, who benefited from the military's exclusion of their rivals from the 1983 general elections, are probably content with the present situation.

In the country at large, too, complaints about restrictions under military rule are mostly confined to left-wing intellectuals. Life in rural areas is not questions and press censorship has restrained the spread of discussion in the towns.

Beside which, the Turks view their Army with historical perspective — for 600 years of Ottoman rule, the militory authorities and the Government were indistinguishable. The role of the army in national consciousness is immense. It was the army which conquered modern Turkey from the Byzantines and which, under Ataturk, threw out the invaders from Anatolia in the 1920s.

However in the 1980s a less conspicuous presence is being sought. The military are keen to dispel any ideas that their members, especially career officers have too comfortable a life compared with civilians.

Officers' clubs are now to be found all over tho country. Many are quite modest, though they are *often* located on prime sites. Others are luxurious, officers regard them as compensation for low pay in the services.

The kind of envy which an apparently privileged existence might attract is one worry for the top leadership. A second is corruption. This problem became more acute during the years of army rule. There have been several prosecutions in martial law courts of officers at the major or colonel level who are accused of using their influence for personal gain.

The military are also anxious to avoid discontent among the junior officers who are more exposed to radical political current than their elders. However it is always stressed that the 1980 military intervention took place within the normal chain of command of the Armed Forces. Western diplomats do not regard the Turkish army as one prone to a junior officers' coup. Hierarchy, discipline, and obedience are everything.

The Army on duty outside the Dolmabahce Palace, Istanbul

PROFILE: ERDAL INONU

Politician who prefers academic life

IT COMES as some surprise to find the man who has established himself as the second most important figure in Turkish politics since the 1980 coup has all the airs of the quiet academie existence he has led for most of his life.

Yet possibly not so surprising wheo one considers that Mr Erdal Inonu, the leader of the new Social *Democracy Party (Sodep), is* the soo of Ismet, Ataturk's comrade-in-arms and successor as President.

A professed reluctant politician, Erdal Inonu confounded all the pundits when, in the March 1984 local elections, he found himself in the awkward position of de factor leader of the opposition with no representation in Parliament.

While Mr Turgut Ozal's Motherland Party won a sweeping victory in the polls, Sodep, capturing many of the votes thot might have gone to Mr Bulent Ecevit's banned Republican Peoples Party, *wiped* the floor with the Populist Party, the official opposition party in Parliament. Only four months earlier, the latter had gained 30.1 per cent of the vote to come second in the general elections, from which the traditiooal parties were hanned.

The Social Democrats took 23.4 per cent of the overall vote, against the Popolist Party's very poor 8.7 per cent.

Sodep had been prevented from participating in the General Election, having failed to overcome successive military vetoes of a necessary quota of founding *members.* Mr Inonn was one of those originally vetoed, despite his excellent credentials as someooe who had not before been involved in politics.

The 58-year-old university doo had held posts in the physics faculties of Turkish and *U.S. universities since* 1951. His most important work had been io atomic physics, which be began nnder President Eisenhower's Atoms for Peace *programme.* More recently, he had also served on the executive board of Uuesco in Paris.

He saw his role in Turkish *academia as trying* to *protect* university life from political eveots. A career in politics, despite his family background, was not part of the structure.

His father, who died in 1973, was against any of his children entering politics. "He was trying to protect us. He thought political lifo rather dangerous and didn't recommend it," says Mr Inonu.

Would the former Pesident have regarded the events of 1980 as part of an inevitable cycle of military interventions?

"In some respects it was a re-run of history. But there have beeu some definite gains." He saw it (the movement *toward full democracy)* as a long struggle and would probahly havo felt that one should not despair.

Erdal Inonn entered politics *finally because of* the "exceptional circumstances" which followed the last military takeover. Most of the political personalities had been hanned and "*there was a need* for new people."

Now that be has made such o success of his new career, be feels a bit uervous. It is *not only because of his* unhappy position as leader of a party which has no voice in Parliament. He says that, despite Sodep's following, its policy and views are completely ignored by the state-owned television and radio organisation TRT. Lack of coverage might give the impression to his constituents of a lack of action he fears.

Coverage or no, Mr Inoun probably does not possess the sort of political guile necessary to win enough seats for a majority, should predictions of an early general election prove correct. *For* this reason, the party is seeking to merge with the Populists. The signs aro that this course might gain approval at *the PP's congress in June.*

But the administrative problems of marrying a strong party outside Parliament with o weak one inside it may prove insurmountable. What is more, hoth parties foce competition from the Left through a uew party, scheduled to be formed in Angust by followers of Mr Ecevit.

If Sodep's impressive gains were to be wiped ont in another election, one gets the impression Mr Inonu would not be too unhappy abont returning to a *quiet* academic life.

Stephanie Gray

Erdal Inonu, leader of the New Social Democracy Party (Sodep).

No rush to test boundaries of freedom

Broadcasting and the Press
DAVID BARCHARD

"MUCH FREER than wben I left," was the verdict of one of Turkey's leading journalists who recently returned to the country after a year abroad. He cited government scandals and some criticism as types of news article which could not have been published easily wbeu be went abroad.

Certainly many of the controversial features of the Turkish press scene seem to be fading gradually. There have been no shutdowns of newspapers by martial law authorities in 1985 and the major press trial—of the forthright Mrs Nazli Ilicak of Tercuman, a right-wing daily—this year ended in acquittal. Certain restrictions remain.

The newspapers cannot publish discussion of what went on under the military, for example, and former politicians such as Mr Bulent Ecevit and Mr Suleyman Demirel remain non-persons in the shadows. Mr Demirel—wbo is an active force in politics—is usually only referred to by the code-words "Someone who knows."

Most Turkish journalists, however, are not rushing to test out their freedom. Martial law is still in force in the largest cities and does impose periodic bans on news items. For example, a press conference by the playwrights Arthur Miller and Harold Pinter in Istanbul were hanned in March. So, too, was reporting of a press conference by the President of the European Parliament, Mr Piet Dankert, during the same month.

Such hans may be unnecessary. Left and Right alike in Turkey tend to respond indignantly to claims by foreign visitors or politicians that there is anything amiss with the country's human rights record. There seems to be something *close to a national consensus* on this, although it bas to be admitted that up until now it has not been easy to get claims of ill-treatment published in the press.

For most newspapers, the emphasis is very much on the circulation stakes with televisions, cars, lotteries and other hand-outs being used to woo the reader. Turkish newspaper readers are fickle and apparently fond of reading more than one paper each day.

As a result there have been major fluctuations over the years in the circulation of some of the country's best-known dailies. Hurriyet remains the staple source of news for most of the conntry, a newspaper which has somehow consistently managed to keep in step with majority instincts.

Hurriyet, like all the other papers except Cumhuriyet, relies extensively on colour printing and supplaments. Down market, several newspapers now offer their readors a diet of garish aensation with little or no hard news on the front pages. Cumhuriyet, on the other hand, has gone up-market since 1980.

The left-wing fulminations which once filled up its columns are giving way to an emphasis on in-depth coverage. The paper's economic reporting has become a major source of news for businessmen.

Cumhuriyet's major rival on the right, Tercuman, is marking time as far as its circulation is concerned. It remains an unashamedly polemical paper which bas not changed greatly since the 1970s.

One of the points on which oll Turkish papers seem to be agreed is that the country's television service *could* do better. Under its present director, an Ozal-appointee, Mr Tunca Toskay, the State radio and television has become *something of a whipping boy* for the press.

The TRT suffers from the disadvantage of offering only a single television channel (a *second one is contemplated)* which means that the entire nation tends to focus on the low points of the previous night's broadcasting.

News presentation and documentaries tend to be carefully sanitised against controversy, as well as ponderous and slow-moving by European standards. Small wonder that there has been a video explosion in Turkey's big cities over the last half decade offering Turkish viewers the chance to select their own alternative.

Based firmly on mutual interest

TURKEY'S role as a military ally of the West remains the cornerstone of its foreign policy. But there have been stresses on its relations with the European Community and with Greece over the last half decade. These have proved hard to resolve. The key friendship with the United States was cemented with a highly successful visit to Washington by the prime minister, Mr Turgut Ozal, last month. Turkey's importance to the U.S. stands at an all time peak. This has played a major part in keeping its rivalry with Greece and its disagreements with the EEC under control.

President Reagan listens to Prime Minister Ozals parting remarks as he leaves the White House after their meeting last month

Relations with the U.S.

ROBERT MAUTHNER

TURKEY'S relationship with the U.S., in spite of all its ups and downs, is one which is based firmly on mutual interest and need and is certainly the most solid that Washington has with any country in the Eastern Mediterranean/Middle East region.

For the U.S. it is an essential plank of foreign and defence policy to maintain close relations with a country which is so strategically placed on the Eastern wing of Nato and which has common borders with the Soviet Union, Iran, Iraq, Syria, Greece and Bulgaria.

For the Turks who, in spite of Kemal Ataturk, are periodically tempted to look East because of what they perceive to be the lack of interest and even rejection of their country by their chosen European partners, the U.S. connection is their one sure life-time to the West.

The Americans like to say that their friendship with Turkey dates back to the 18th century and was officially consecrated by a treaty in 1830. But for all practical purposes, it was forged in the crucible of the uncertain post World War II period, when Turkey's traditional fear of Russian expansionism was compounded by Moscow's Middle Eastern political manoeuvres and Stalin was casting e beady eye on Turkey's eastern provinces.

Since 1947, the U.S. has been pouring money and expertise into Turkey to the tune of $7bn in military aid and nearly $4bn in economic aid. It is the military aspect, however, which provides the cement for the whole relationship.

Turkey likes to argue that the aid given by the U.S. is no more than a proper payment for Turkey's contribution to western defence. Not only does it have the second largest army in Nato, with more than half a million men, but it provides the alliance with strategically placed air bases and some of its best intelligence gathering installations.

Moreover, between 5,000 and 6,000 U.S. military personnel are stationed on bases which, since 1980, have been classified as joint installations, though technically they come under the Turkish command structure. They include such major airfields as Incirlik, near Adana, on the Mediterranean coast close to the Syrian border and Pirinclik, near Diyarbakir, in Eastern Turkey.

Under an agreement signed in 1982, military airfields throughout the country are being modernised with U.S. and Nato aid and two new airfields in Eastern Turkey, at Mus and Batman, are being constructed. Only last month it was announced that this accord, which is understood to apply to at least 10 existing bases, would be fleshed out with further bilateral agreements specifically allowing the U.S. to share airbases on Turkish territory in time of war and allowing it to store weapons, ammunition and fuel on them in peace-time.

Indeed, one of the main purposes of the Defence and Economic Co-operation Agreement, conclnded in 1980 to provide the framework for U.S. military assistance to Turkey was to modernise the country's defences. For whatever the justified claims the Turks might make about the size of their armed forces, their equipment is badly outdated.

The Turkish air force is still flying planes dating back to the Vietnam war, if not earlier, and urgently requires more modern military aircraft. To this end, General Dynamics of the U.S. is producing its F-16 interceptor in co-operation with the Turkish state aircraft company TUSAS. Initially, TUSAS will supply only some parts for the aircraft, about 160 of which will be built for the Turkish airforce and sales abroad, but it will become progressively more involved in its co-production.

The U.S., too, is modernising Turkey's ageing 3,000-strong tank fleet of M 48s, which are being npgraded by the fitting of new diesel engines and more powerful guns.

Persuading the U.S. Congress to accept the Administration's annual aid proposals is always a difficult business, since it usually becomes mixed up with political considerations which often do not help Turkey's case.

On several occasions, congressional anger with Turkish policies has led to a serious, if usually temporary deterioration in the U.S.'s relations with Ankara, which has taken a long time to repair. Thus, the Turkish invasion of Cyprus in 1974 induced the U.S. Congress to impose an embargo on military shipments to Turkey in 1975, which lasted until 1978.

During that three-year period, Turkey not only became a member of the Islamic Conference Organisation, but signed a wide-ranging agreement of friendship and co-operation with the Soviet Union, an indication that whenever things look bad in the West, Turkey's instinctive reaction is to look for friends elsewhere.

In 1984 again, a bitter quarrel erupted over a Congressional resolution accusing Turkey of the systematic massacre of Armenians in 1915, a charge that has always been denied by Ankara, which claims that Armenians, just like other people, were the victims of "normal" warfare.

Congress's close scrutiny of Turkish politics, foreign policy and human rights record has caused a certain paranoia in Turkey, which sees the mechinations of the Greek or Armenian lobby in the U.S. behind every decision hostile to its own interests.

The fact is that, while Congress usually lops off some of the Turkish aid funds requested by the Administration, and insists on a 10 to 7 ratio for aid to Turkey and Greece, the sums that are eventually approved are still very substantial. Indeed, Turkey is third in the world list of U.S. aid recipients, preceded only by Israel and Egypt.

Military assistance for the current fiscal year amounts to U.S.$700m, with a further $175m allocated in the form of economic aid. For fiscal 1986, the Reagan administration has asked for a total of nearly $1bn to be approved by Congress, a sum which the Senate Foreign Relations Committee has already voted to rednce, but only by $70m.

The continuing problem over aid funds has not, however, prevented a real improvement in Turkey's relations with the U.S. since Mr Turgut Ozal became Prime Minister after the general election of November 1983.

Mr Ozal's market-oriented economic policies, coupled with his efforts to cut inflation and open np the Turkish economy to international trade, have, not surprisingly, found great favour in Washington.

During his recent visit to the U.S., President Reagan gave Mr Ozal something of a red carpet welcome, a fact that was quickly noted by the ever-sensitive Turks. If Mr Ozal can also deliver the political goods by restoring full democracy in his country and helping to bring about a Cyprus settlement, a new honeymoon between the U.S. and Turkey may be on the cards.

But honeymoon or not, it is difficult to see how two countries whose interests are so intertwined, can afford to have anything but a transient quarrel.

Misunderstandings persist

Robert Mauthner, Dipplimatic Correspondent looks behind the strains in relations with the EEC

MORE THAN 20 years have passed since Turkey signed an Association Agreement with the European Community which was supposed to symbolize Turkey's status as a European nation and to prepare it for full membership of the EEC.

On neither score have the original objectives been fulfilled. The Turks, who have seen their Association agreement frozen for political and human rights reasons, and have consequently been deprived of some U.S. $530m Community aid since 1981, feel a deep sense of grievance et their "rejection" by Western Enrope.

That grievance is all the greater because, with rare exceptions, there is a general refusal in Ankara to look facts in the face on the European issue and to search for other more deep-seated reasons than the ones officially given for Western Enrope's coolness towards Turkey, namely a feeling of cultural and religious incompatibility.

When the Turks are told that their relationship with the European Community or the Council of Europe can be normalised only after the restoration of full democracy in Turkey, the answer is always the same. The Europeans do not understand the historical role that the army has played in Turkey as the defender of fundamental political and moral values, it is claimed.

Turkey is therefore a very special case, which cannot be compared with Western European nations, whose evolution has been quite different.

That statement may very well be true, but what the Turks often do not realise, or accept, is that it begs the very question that it is supposed to answer. Are the values, ideals and historical perceptions of Turkey and Western Europe sufficiently similar to permit the integration of the two? There are many, even in Turkey, who have expressed doubts on the subject.

Turkey's stormy relationship with the Council of Enrope is a case in point. Ankara attaches inordinate importance to its membership of an organisation which long ago sunk into Europe's political sub-conscious, as a symbol of Turkey's European identity.

The Turks, as did the Greeks before they became members of the European Community, feel that membership of the 21-member organisation somehow establishes both their European and democratic credentials.

Unfortunately for Turkey, the Council of Europe's functions are most clearly defined in an area in which Turkey'a recent record leaves much to be desired: the organisation's main role today is as the guardian of human rights through its off-shoots the European Court and European Commission on Human Rights.

While Turkey expects to be treated on a par with every other member of the organisation, it considers as interference in its internal affairs any attempt by the Council to pass a judgment on human rights cases in Turkey, such as the trials of peace activists and trade unionists.

Tactics like walking out of ministerial meetings of the Council of Europe to protest against the Council's decision to deny Turkey the presidency for another year, as the Turkish representative did last month, take the place of addressing the complaints which are at the heart of the issue.

To a lesser degree, a similar attitude is taken by Ankara towards its Association Agreement with the European Community. While the Europeans are castigated for freezing the fourth financial protocol and their reluctance to apply the agreement's provisions on the freedom of movement of workers, due to come into effect in 1986, little or nothing is heard in Ankara about its own failure to apply certain essential clauses of the agreement.

Thus, Turkey failed in 1977 and 1978 both to make the first planned alignment of its external tariffs on the common external tariff of the European Community and the third 10 per cent reduction in its customs duties on imports from the Community.

Given this situation, the fact that martial law is still being partially applied in Turkey and that the restoration of democracy in several other fields is still incomplete in spite of the encouraging progress that has been made in this direction, it would clearly be imprudent for Turkey to apply for full EEC membership now.

Mr Turgut Ozal, the Prime Minister, has been talking of a possible "surprise application" ever since he won the general election in November 1983, but it is difficult to see what could be gained from such a move. The least that can be said on the subject is that Ankara would be risking an embarrassing diplomatic rebuff if it were to make a membership application at this juncture.

Denmark, which has been particularly punctilious in monitoring the Turkish political and human rights situation, and Greece, to name only the two most obvious opponents of Turkish entry into the Community, would certainly veto any membership application by Ankara. Even leaving the internal situation in Turkey aside, all members of the Community have condemned the Turkish invasion of Cyprus in 1974 and have refused to recognise the subsequent declaration of independence by the Turkish northern part of the island.

It looks, therefore, as if the restoration of close Turkish-European relations is heavily dependent on the internal situation in Turkey and on a Cyprus settlement. The best that can be hoped for in the foreseeable future is a slow reactivation of the Turkey-EEC Association Agreement as progress it made by Turkey towards a full return to democracy.

The whole problem is complicated by the fact that Turkey is a much-valued member of the Atlantic Alliance whom no one wants to antagonise to the point that the Turks will turn their backs on Europe and the West in general. The risk of exposing Nato's sonth-eastern flank to hostile influences is not a prospect that either the U.S. or Western Europe wants to contemplate.

For Turkey, its strategic situation and substantial contribution to Nato with, it should be said, enormous U.S. financial and technical help, is an important bargaining counter in its relationship with Western Europe. For the European Community, Turkey's Nato membership acts as a sharp brake on the tendency of some member countries to write off the Turks as suitable partners in the European enterprise.

In the longer run, it is the realisation by the European Community and Turkey that they are condemned to pool their defence efforts, rather than any feeling of common destiny, history or culture, which is likely to be the deciding factor in maintaining the links between two sceptical partners.

Little dialogue on Cyprus dispute

Relations with Greece

DAVID BARCHARD

"WE propose conciliation with Greece. Our proposals aren't reciprocated," says an Ankara official. Seen from the Turkish capital, the Turkish-Greek dispute over Cyprus appears to be blocked by the powerful personality of a Greek prime minister who shows no interest in improving relations.

Until Mr Papandreou became prime minister in Greece in 1981, the bureaucracies of the two countries maintained regular contacts. Teams from the foreign ministries of Greeca and Turkey met several times a year for negotiations, the aim of which seemed to be more to keep dialogue alive and prevent the risk of confrontation getting worse than to thrash out practical solutions on the areas of disagreement.

For the past four years, however, there has been virtually no dialogue and Greek foreign policy has rested largely on tha portrayal of Turkey to the European Community, the U.S. and the rest of the outsida world as a hostile power with expansionist designs.

This situation might have been expected to lead to a serious deterioration in the Aegean. Somebow it has not. There have been occasional flare-ups. Last spring, Greece threatened to withdraw its ambassador from Ankara after it claimed that one of its vessels bad come under fire during Turkish naval exercises in the Gulf of Saros.

But the incident proved to be a false alarm. Athens backed down, thongh it continues to protest regularly at infringements of its airspace by Turkisb jets. This spring, as last year, it brushed aside publicly dangled olive branches from Turkey, when Mr Ozal, the Turkish prime minister, called for more trade and technical and tonrist co-operation.

There are several possible explanations why tension has not worsened. One could be that Mr Papandreou's bark, as far as Turkey is concerned, is worse than his hite. His remarks are largely for internal consumption and he is too shrewd to allow jaw-jaw to turn into war.

A second factor could be that Turkey, having decided that Athens is not in the mood for dialogue, has greeted Mr Papandreou's accusations with a studied yawn. The press and the media generally do not give his attacks very much prominence and tempers have not been lost on the Turkish side of the Aegean.

So several areas of disagreement remain unsettled. These are:

● Tha delineation of the continental shelf in the Aegean. Turkey rejects Greek claims that the islands are entitled to virtually all the continental shelf, rather than the vastly larger mainland. It cites a 1976 UN Security Council declsion urging the two sides to resolve their problems through talks.

● The Flight Information Region for planes in the Aegean. Greece regards this aa being 10 miles. Turkey wants it to remain et six. The issue is privately edmitted to be one which should never have been politicised in the first place.

● Minorities in each other's territory. Turkey claims that the 120,000 ethnic Turks in Western Thrace are being denied basic rigbts granted under the 1923 Treaty of Lausanne, inclnding education, land rights, and cultural freedoms. Greece points out that only an estimated 7,000 Greeks remain in Istanbul (in 1923 there were roughly equal-sized minorities in the two countries) and makes similar complaints.

● Turkey says Greece has violated its Treaty obligations by stationing troops and weapons on islands which were reded to Greece on condition they remained demilitarised and which could conceivably be used as forward bases for an attack on Turkisb territory. The Greek reply is that the islands are much more likely to be ettacked by Turkey and in any case, Turkey's protests look very much like a claim that Greece is not fully sovereign in these territories. It is tha kind of dispnte which would blow away immediately if there were normal political reletions between the two countries.

Both countries have tried to woo or pressure the EEC and NATO into taking sides. Last autumn, the Greeks appeared to have found a plausible way to open a rift between Turkey and NATO when they finessed the Turks into protesting at the stationing of NATO defences on the island of Lemnos.

So the dispute continues with the chief sufferers being the local peoples who might otherwise have greater access to their neighbours across the border. Greeks are already fond of popping across the frontier on shopping expeditions. Mr Ozal in April 1983 eased their lot by lifting visa restrictions on Greeks going to Turkey. Greece has yet to respond. In the Aegean e few Turks now use airports such as that on Rhodes as bases for trips to Europe.

Immediate interest, however, lies in whether intercommunal talks can be resumed. In January this year, a framework agreement which would have started progress towards the creation of a reunited single Government of Cyprus collapsed *at talks in New York.* The Turkisb Cypriots sald that the Greek Cypriot leader, Mr Speros Kyprianou, had gone back on terms agreed in November. Inside Turkey there was s certain undercurrent of relief that the breakdown made cession of territory on Cyprus unnecessary.

The Turkish side was particularly concerned not to appear intransigent in the eyes of the U.S.—though it rejects claims that diplometic pressure from the U.S. was the chief reason for getting the intercommunal *talks going again.*

To the Turk in the street, the Cyprus problem is solved. Botb communities live in peare and relative prosperity. No lives are lost and further fighting looks unlikely. Tbe main discontent is tbat the Turkisb Republic of Northern Cyprus is not recognised by any government othar than Turkey.

Elections in Northern Cyprus and in Greece imply that the international momentum for a resumption of talks is unlikely to get going egain before the late summer.

Asked wbet chance they see for egreement then, Turks and Turkish Cypriots tend to shrug their sboulders and say that a settlement will only be reached when and if the government of mainland Greece wants ona.

Loading and unloading at Alsancak, one of Turkey's main export ports, Izmir

Mr. Ozal's medicine aids the patient

AS MR OZAL'S *restructuring programme* moves into its sixth year, exports are higher than ever. Inflation remains a severe problem, however, and *industry has* to live with soaring interest rates. Growth is continning but full stabilisation has yet to be attained.

PRIVATE SECTOR investment is growing by 5 per cent a year in real terms. Industry grew by 8.7 per cent last year and is expected to grow by 7.5 per cent this year. Production is running at the highest levels in balf a decade. Capacity utilisation, which at one point had sagged below the 50 per rent average mark, is now back at internationally acceptable levels.

It sounds like a rosy picture, but tbe truth is still somewbat uncomfortable. Mr Ozal's medicine has cauterised many of the ills afflicting the Turkisb economy balf a decade ago, but normality, especially for industrialists, has yet to make a full return.

The positive side of the balance sheet remains impressive. Turkey's external payments are under control — in fact aa far as foreign currency goes, there is now something of a surplus on Turkish markets. It is the Turkisb lira which is bard to find.

Exports bave risen from $4.7bn in 1981 to $7.1bn last year, growing by 26 per cent in 1984 alone. Further growth of 15 per cent is expected this year. Imports are growing too, but the trade deficit ($2.9bn last year compared to $4.2bn in 1981) bas been kept under control. Payments delays ere a thing of tbe past.

There bas been a considerable degree of liberalisation—inclnding food imports, onre regarded as a taboo in Turkey—and shortages are a thing of the past. "If you can pay for it, you can find it," bas become the basic market rule.

On the current account, Turkey continues to run a substantial deficit—$1.4bn last year and probably $1.2bn tbis year. *Handling a total foreign debt* wbich has now topped $20bn will be particularly tough in 1985 and 1986, described as "bump years" by the bank.

A syndicated loan of $500m was borrowed from the internal commercial banks this spring and Turkey will probably have to return to the money markets next year for a larger emount. However, though this year's loan—a bybrid arrangement—was criticised by some banks and took longer than expected to arrange. Turkey's creditworthiness seems to be steadily improving. The loans bave got larger and the terms on which they are available have become more favourable each year.

While it is not without risks, the external payments situation now seems quite favourable. It is the Internal picture which *raises some questions.*

The immediate priority—reportedly the one which occupies most of the Prime Mioister's thoughts—is to bring down infletion.

In 1980, wben Mr Ozal first slammed on the brakes and applied his original austerity programme, inflation began to fall within months of bis measures being announced.

Not ao in 1984. Desplte regular predlctions that prices would start to slow down, the year end figure for Inflation was more than double the original 25 per cent target, at about 53 per cent. This com*pared with about 31 per cent* inflation in 1983.

A number of factors seem to have been responsible. In 1983 the then governmeot allowed a sharp increase in the money supply and engaged in a large-scale rescue operation for weak companies. Many state aector price increases were beld down until after the 1983 general elections and the Marcb 1984 local elections.

The Ozal Government seems to have been slow to identify the excess liquidity in the economy and to take steps early in 1984 to mop it up by bond issues and other measures to which it had to resort later in the year.

The beadlong fall of the Turkisb lira obviously also played a part. When Mr Ozal took office, there were TL 285 to the dollar. In May this year, the rate was TL 520. Though realistic exchange rate policies are regarded as the cornerstone of the Ozal Government's reforms, depreclation at this speed pushes up the cost of imported fuels and equipment *and means a regular round of* price increases on basic products.

However, the key culprit for Turkey's infletion is now regarded generally to be the budget deficit. Last year, it reached TL 900bn ($2,000m) or about 5 per cent of GNP—about triple expected levels. Again there were some extenuating reasons for this.

As the Prime Minister's brother, Mr Yusef Bozkurt Ozal, the bead of the State Planning Organisation, points out, several factors combined in 1984 to decrease government revenues. Several taxea were cut. Others were affected by the difference between the inflation rates of 1983 and 1984.

To help plug the gap, the Government introduced a value-added tax in January this year which after some initial confusion, now seems to bave settled down. "There's no escape from the VAT" one Ankara trader remarks wrily.

The new tax is expected to be much more efficient than those it replaced. VAT may net anything up to TL 1,600bn in 1984—about $3.1bn. The Government is slowing down its programme of tax reductions and trying to economise in other fields. As a result it hopes this year to be able to hold the budget deficit down to around 1 per cent of GNP.

Mr Ozal now bopes that inflation will be held to under 2 per rent a month in the second half of this year, whicb would imply a year end rate of 40 to 45 per rent.

If it could be showo that inflation was coming down and staying down, the effect on industry would be invigorating. For a start, it might tben be possible to ease rates to borrowers. In theory these average around 60 per cent. In practice, the net cost to the firm can be 20 per cent above that. Even firms which would normally find it easy to make a profit find themselves slipping into bad debts at such rates.

The Government so far has had little solace to offer the business world. High interest rates are needed to ensure that banks can write off bad debts which may in some cases make up nearly half their lending portfolios.

But punitive interest rates create a viclous circle in which many banks find it bard not to incur even more unreliable debts. Meanwhile, because of the lack of an effective secondary money market, the bodget deficit fuels infletion still further.

There bas been relatively little beard so far this year about another potentially serious long-term inflationary pressure. Organised labour is currently weak, but Turkey's civil servants as well as its industrial working class are being hard hit by Mr Ozal's policies. So far the premier bas been able to brush aside pressure from fixed income groups. Not all industrialists are sure be will be able to do so indefinitely.

If inflation comes down, then business activity is likely to sbow a very fast revival—and the bunt will be on for more foreign investment. Virtually all Turks, whatever their political background, now believe that a substantial transfer of resources from abroad through direct private investment is needed to eosure fest growth.

Chipping away at an entrenched and somewhat parochial bureaucracy takes time. Changing the rules—as Mr Ozal bas done since 1980—does not necessarily change the outlook and working practices of particular officials. Only time and experience can do that. But the Turkisb environment is becoming steadily more receptive for the foreigo investor.

Meanwhile, Turkish businesses are rationalising their management and plant structures and an increasing number are using internationally recognised *accounting* techniques. *Sophis*ticated marketing, onre virtually unknown, bas become widespread.

If 1984 had e lesson for the Turkish economy, it was that Mr Ozal and his team were not magicians and could not transform the Turkish economy in months. Fundamental restructuring is both a painful process and a slow one—but there is no doubt that it is under way and Turkish businessmen now have their eyes on international markets.

Some of the weaker businesses may wish for breathing space as they struggle to adapt. No one want to go back to tbe closed economy of the 1960s and 1970s.

David Barchard

Export expansion wins priority

Foreign Trade and Payments

ROBERT MAUTHNER

THE ECONOMIC reform programme introduced in 1980 by Mr Tugut Ozal, at that time the head of the state planning organisation, has had a profound effect on Turkey's trade and payments structure.

The objective of import substitution, previously at the heart of the country's economic policies, was replaced by a new outward-looking philosophy which has progressively broken down Turkey's protectionist stockades.

For the past five years, economic policy has given priority to the expansion of exports. A modest start has also been made in pulling down import barriers, though tariffs, as distinct from non-tariff obstacles, still remain very high in many cases.

The turnaround in the trade and payments situation was almost immediate. In 1981, a year when world trade was declining, Turkish exports grew by as much as 60 per cent and, by the end of 1984, were almost 2.5 times more in value (calculated in U.S. dollars) than five years previously.

Significantly, the impressive improvement in Turkey's trade performance has gone hand in hand with a fundamental change in the composition of its exports. Some 20 years ago, nearly four-fifths of the country's very modest exports of U.S.$368m were agricultural products and only 19 per cent were industrial goods, with the rest being provided by mining products.

Last year, when exports totalled $7.39bn, the proportions were almost exactly reversed, with industrial products making up 72 per cent and agricultural products 24.5 per cent of the total.

The very creditable export performance has not, however, prevented Turkey from registering constant, though on the whole manageable, trade and payments deficits since Mr Ozal first introduced his reforms. The country's reliance on imported oil and petrochemicals, as well as on sophisticated machinery to enable it to carry out its industrialisation programme, has ensured a high level of imports.

In 1984, the trade shortfall amounted to $3.6bn, though this was 1.6 per cent lower than the previous year, thanks to a 25 per cent rise in the value of exports, compared with an increase of only 16 per cent in imports.

Turkish workers' remittances from abroad, though falling, helped to keep the current account deficit to the much more modest level of $1.4bn, compared with $1.8bn in 1983. According to official projections, this will be brought down further to barely more than U.S.$1bn by the end of 1985.

It is largely the exploitation of Middle East markets that has enabled Turkey to improve its trading and payments performance. The development of trading relations with its neighbours, Iran and Iraq, as well as with other Moslem countries such as Saudi Arabia, Libya and the Gulf states, has been relatively much greater than that with Turkey's traditional European partners.

West Germany, it is true, remains by far Turkey's single most important trading partner, taking nearly 18 per cent of Turkey's exports and providing 11 per cent of its imports in 1984. But the European Community as a whole now only accounts for 38 per cent of Turkey's exports and 27.6 per cent of its imports, compared with 41 and 36 per cent respectively for the Islamic group of countries.

At the same time, the Turks have learnt to be wary of the volatility and unreliability of some of their Middle East outlets, particularly at a time when two of their principal trading partners in the region, neighbouring Iraq and Iran, are fighting an economically debilitating war and oil revenues are falling.

The decline in Turkish exports which occurred in 1983, before picking up again last year, was attributable mainly to a sharp reduction in Iraq's and Libya's imports, in the former case by as much as 50 per cent. This year again, there have been disquieting signs of economic problems in Libya, which in March informed Turkey that the construction projects of as many as 30 Turkish companies in Libya were being wound up.

Such symptoms of instability in some of their most important markets in the Middle East region have made the Turks all the more anxious to put their association agreement with the EEC on the rails again, even if it does not lead to full membership of the Community in the foreseeable future.

Whatever the situation, independent experts believe that Turkey will not be able to achieve a trade surplus for at least 10 years. The prospects for the current account are rather better, but will depend to a large extent on a continued flow of workers' remittances from abroad and Turkey's capacity to develop a lucrative tourist industry, at present still in its infancy.

As a result of Turkey's improved economic situation, it is now in a much better position to finance its payments deficits by borrowing on the international capital market. However, it is by no means over the hump yet. International bankers have not forgotten that only six years ago, Turkey was obliged to reschedule about 50 per cent of its $14bn debt outstanding at the end of 1979, and the International Monetary Fund continues to have some doubts about Turkey's present economic policies.

As a result, though the Government and state sector managed to raise nearly $2bn on the international markets last year, Turkey still does not have a top credit rating. It took three months of arduous negotiations to arrange the syndication by a group of 21 banks of a $500m seven-year loan facility for Turkey earlier this year.

The borrowing climate has not been improved by the obvious hesitations shown by the IMF in completing a new one-year standby facility for Turkey of about SDR 255m ($260m), apparently because the international body considers that Turkey's growth targets for 1985 are too high and that it is spending too much on public sector projects. On May 14, the dialogue with the IMF was broken off after two months apparently because of disagreements over growth targets. Talks will resume in the autumn.

A cloud hanging over the whole situation is that Turkey faces a particularly heavy debt service burden during the four years from 1985 to 1988, since it will start repaying this year the principal on the loans rescheduled in 1979. With a total disbursed public and private external debt of $19.93bn (excluding credits from the IMF) at the end of 1984, repayments of principal and interest in 1985 are expected to amount to $2.9bn, a debt service ratio of 24.6 per cent.

Repayments will remain roughly at the same level until the end of 1987, before beginning to decline slowly in 1988 and more rapidly in 1990, when they are projected to fall to $1.7bn.

The next few years will therefore be a real test for the Turkish economy and for Mr Ozal's standing in the country. Only the maintenance of the Prime Minister's stringent economic and financial policies will enable Turkey to meet its debt repayments and retain international confidence. The unknown quantity is whether he can survive the resulting political unpopularity.

Debt Service Requirement

At December 31 1984 ($m)

	1985 Principal	1985 Interest	1986 Principal	1986 Interest	1987 Principal	1987 Interest	1988 Principal	1988 Interest
Public sector	1,226	610	1,234	616	1,301	613	1,322	555
Central bank	580	323	609	242	693	181	718	90
Private sector	134	46	148	33	111	23	88	16
Total debt service								
Principal	1,940		1,991	891	2,105		2,138	
Interest		979				817		661
Total	2,919		2,882		2,922		2,799	

1 Table excludes transactions with the IMF and interest on all short-term debt.
2 All calculations are based on the exchange rates prevailing at December 31, 1984. The projections assume 6 months of LIBOR of 9 per cent for dollars, 6.75 per cent for Deutsche marks and 4.25 per cent for Swiss francs.

Source: Undersecretariat of Treasury and Foreign Trade and Central Bank

Turkish exports have lifted threefold in five years. Major expansion of ports and other infrastructure has been essential

Foreign Trade

($ 000s)

Countries	1983 Exports	1983 Imports	1984 Exports	1984 Imports
W. Germany	887,766	1,052,848	1,279,698	1,172,442
Iran	1,087,716	1,222,051	750,859	1,548,055
Iraq	319,557	946,551	934,380	942,957
U.S.	231,719	695,116	368,169	1,073,473
Italy	422,758	510,273	501,159	629,007
Libya	184,287	793,358	142,030	660,887
Britain	247,039	440,680	260,831	442,433
Saudi Arabia	364,706	268,793	377,986	215,759
Switzerland	286,472	265,806	358,247	233,878
USSR	88,706	237,653	128,507	312,061
Sub-total	4,070,726	6,433,129	5,111,866	7,233,953
Overall total	5,727,833	9,235,001	7,133,603	10,756,923
The share of the above 10 countries in the overall total	71.1	69.7	71.7	67.2

71.7% of Turkey's exports in 1984, a total of $5.112bn was ascertained to have been made to 10 countries—according to calculations made by the State Institute of Statistics, 17.9% of the total export in 1984 was made to West Germany gaining $1.280bn. Turkey has imported more from Iran than any other country. Turkey exported $751m worth of goods to Iran but imported $1,548m worth of goods from the same country.

Easing strain on the economy

Privatisation

STEPHANIE GRAY

LAST MONTH, eight foreign merchant banks and consultants sent representatives to Turkey to come up with ideas that might win them contracts to advise the Government on ways to privatise more than 30 state concerns, many of them cumbersome State Economic Enterprises (SEEs).

The list is something of a mixed bag. But if the hiving off of Turkish Airlines and other government concerns were to have anything like the success of revenue sharing schemes in the Bosphorus Bridge and the Keban hydro-electric dam, Mr Turgut Ozal's team would have every reason to be pleased.

Income-sharing certificates in the 10-year-old Bosphorus Bridge sold out within an hour of going on sale last December, netting about TL 10bn (£16m). With certificates offering investors a return of 18 per cent over three years or 16 per cent over five, the issue was vastly oversubscribed.

The bridge brings in revenue of about TL 12bn a year. Thirty per cent of this profit is to be distributed to the bond holders. The sale of certificates in the Keban dam on the Euphrates in January caused only marginally less excitement.

Queues formed outside the branches of the Bankasi in Ankara, Istanbul and Izmir long before opening time. Demand was also heavy among expatriate Turkish workers.

As a result, the entire issue of TL 40bn certificates was sold out within two days. They are expected to bring an average net interest of 50 per cent a year. Dividends are to be paid every six months.

The Keban dam, on the Euphrates, is said to be the fourth largest hydro power station in the world. It is the largest source of electricity in Turkey, producing 6bn kilowatt/hours a year. Profits for 1985 are predicted to be about TL 75bn.

There was some criticism that the smallest share was TL 50,000, a sum considered by many to be out of the reach of the average Turkish citizen, already hard pressed by rising prices and eroded real earnings.

Nevertheless, many citizens did purchase the shares and bankers' fears that people would liquidate their savings to buy them proved unfounded.

It appears that the Government's intention of dragging financial resources out from "under the mattress" has worked splendidly.

A similar revenue sharing scheme is planned for the $2bn Ataturk dam, also on the Euphrates. When completed—hopefully by 1990—the dam should have six 300 Mw power units. More importantly, it will also irrigate the arid Urfa plain in the south-east of the country and is predicted to double agricultural production.

The project is the sort of stuff Turkish dreams are made of and there should be no shortage of demand for shares.

Prospects for the privatisation of Turk Hava Yollari (THY), the national airline, however, are not quite so certain.

The airline, although it started making profits in 1984 after years in which it reported losses, charges too little for air fares inside the country and its internal routes need substantial reorganisation.

According to Dr Namik Kemal Kilic, the director of Turkey's Foreign Investment Department, THY will probably try to link up with one of the European airlines. He expects an initial study by Lazard Freres on how best to rationalise the company's operations and the various sales options to be completed by the end of next month.

Shares in the company could be sold to the public in much the same way that British Telecom was sold.

In many of the SEEs, however, privatisation could take a different form. One suggestion has been the setting up of joint ventures with the private sector —either local or foreign—with the state offering plant, factories or other fixed assets as its share of the venture.

Tekel, the state tobacco and liquor monopoly that, because of its enormous vested interests is regarded as one of the more difficult privatisation projects, has seven tobacco factories, some of them very ancient. Four more are being built and these could be candidates for private sector investment.

Rothmans International of the UK, which has set up an experimental project in the east to grow Virginia tobacco as opposed to Turkey's black leaf, would ultimately be interested in one of the new factories.

Another privatisation variant is to be found in the tea sector where private Turkish companies have been allowed to build their own factories and to go into competition with the state monopoly for the crops of the 63,000 small farmers producing tea on the Black Sea coast. Foreign companies have also shown a great deal of interest in Turkey's tea industry.

Producer prices for tea are at present about TL 100 a kilo. The Tea Board sells the better quality varieties for TL 2,500 a kilo. The scope for competition is thus enormous.

While private sector involvement in the tea industry is reasonably advanced—there are no plans for creating estates out of the smallholdings—the possibilities in other areas are still being explored.

Most progress has been made in the mining, cement and textiles industries. A study of Etibank, the mining concern, is due out at the same time as the first THY report.

Sumerbank, the textiles company, and several cement and fertiliser plants are to be next on the list, the prospects for cement being the most promising.

The proceeds of state sales are to be channelled through the Directorate of Mass Housing and Public Partnership Administration into mass housing projects that are designed to palliate the effects of Mr Turgut Ozal's monetarist policies.

In the eyes of many, though, the obstacles in the way of privatising many of the SEEs—whose number has risen from 27 to 34 since 1980—are enormous. With few exceptions, the enterprises are poorly managed and over-staffed. Efforts at reform have had patchy results and prices are still mostly fixed by the Government.

Set up in the 1930s and 1940s, the enterprises contributed greatly to laying a modern industrial basis in Turkey at a time when water and electricity supplies outside the cities did not exist. Their initial purpose, however, has long since gone.

Nevertheless, government officials point out, the SEEs are no longer the huge drain on the economy that they once were. After losses of TL 34.4bn in 1983, provisional figures for last year show a gross profit of TL 230bn.

However profitable, Turkey's privatisation programme has clearly got a long way to go. In the meantime, the most intense activity is likely to be among the various contenders for agreements on how best it should be carried out.

How state economic enterprises fared

PROFIT AND LOSS ACCOUNT (TL bn)

	1981	1982	1983	1984*
Expenditure	1,969.10	2,734.50	3,775.00	6,190.40
Wages and salaries	314.30	370.20	464.00	702.30
Other inputs	1,599.60	2,293.90	3,117.80	5,301.30
Depreciation and other provisions	55.20	70.40	193.20	186.80
Income	1,976.80	2,801.20	3,740.60	6,420.70
Sales revenue	1,766.90	2,649.80	3,596.00	6,130.70
Increases in stocks	209.90	151.40	144.60	290.00
Gross profit/loss	7.70	66.70	−34.40	230.30

* Current estimate (provisional)

Source: S.P.O.

Upsurge follows streamlined procedures

Foreign Investment

STEWART DALBY

DR NAMIK KEMAL KILIC, the young and dynamic head of the Foreign Investment Department at the State Planning Organisation says he strongly believes that foreign investment in Turkey is about to take off.

Ostensibly, the latest statistics support bim. At the and of 1984, some 267 foreign companies hed been given approval for $1.2bn worth of foreign investments in the country. This compares with the oft-quoted figure of $228m between 1954 and 1979 which was the cumulative figure for non-oil investment in those years. Thus, foreign Investment approvals appear to have increased more than fivefold in just five years.

The Swiss are the largest investors with some 51 projects, followed by the West Germans with 47, the U.S. with 36 and Britain with 21.

The reason for the upsurge is that, after the reformist policies of the governments in power since the 1980 coup, there has been liberalisation not only of the currency but also of trade. In this freer climate, foreign investment has been actively sought rather than tacitly discouraged as in the pre-1979 period.

Until the 1980s, Turkey was a largely closed economy with highly protected industries. Any foreign companies, with the notable exception of oil concerns, which did show an interest were daunted by a combination of nationalist feeling hanging over from the Ottoman days and tha fear of colonial domination which marked the last years of the Ottoman empire, a hazily defined set of foreign investment rules and an almost impenetrable tangle of bureaucratic red tape.

Turkey bas bed a foraign investment law since 1954 in the form of Decree Law 6224, but even in the less xenopbobic (relatively speaking) days of the post-single party period of the 1950s and 1960s, would-be investors found it difficult to hack through the bureaucratic jungle.

One bright young Turkish businessman, involved in botel ventures with foreign interests in the south observes: "When my father tried to do business with foreigners for this same area that I am now involved in be found it impossible. First he got a permit from the Ministry of Tourism. Then, beceuse there were trees, he had to clear it with the Ministry of Forestry.

"Then, because it was on the coast, he had to clear it with the army, in case there was tronble over the closeness of Greek islands. Once he had done all this, the original six months permit from the Ministry of Tourism had run out and be bad to start again."

Perhaps the greatest service the Government of Mr Turgut Ozal, the Prime Minister, bee done for foreign investment is to streamline the procedures. An updating of Decree law 6224 with a number of new decrees—most recently Decree 30 last July and Decree 17 in 1983—means there is now "one stop" foreign investment.

The Foreign Investment Department (FID) at the SPO can now authorise any investment up to $50m off its own bet. Any investment over $50m needs the approval of the council of ministers. Bnt Dr Kilic says most investments are usually approved within e month at the outside.

Potential tourism investors have some dealings with the Ministry of Tourism, although the FID can process these applications. Oil companies continue to deal with the oil department et the Ministry of Energy.

At the same time as streamlining the applications procedures, the Government has come up with an attractive package of trade and investment incentives.

In general, the incentives are: exemption from customs taxes and duties for the importation of machinery and equipment; exemption from taxes and duties for medium and long-term credits; an investment allowance (up to 100 per cent of fixed investment is deductible from corporation tax); exemption from construction tax and a cash rebate made by the central bank out of fixed investment expenditures up to 20 per cent.

There is also relief on interest on loans. (This is important for prospectiva local partners since normal interest rates can be up to 70 to 80 per cent.) Up to 29 per cent relief on export earnings are also not subject to corporation tax.

The £10m fertiliser plant at Yarimca built by Woodall-Duckham.

Corporation tax is normally 40 per cent but various expenses are deductible. As far as ownership is concerned, foreign companies can wholly own subsidiaries and there is a scale of minimum equity requirements for industries depending on their neture and location.

Investments in developed regions (Istanbul, Ankara, Izmir, etc) require e 40 per cent minimum equity stake. Investments in development regions like the East require 30 per cent. Shipbuilding needs only a 10 per cent equity stake.

Foreign companies can repatriata all of their profits and there is no bar to repetrietion of capital overtime.

If these incentives are taken together with other relaxations (such as the fact that outsiders can now own land and purchese property under certain conditions and everyona can now hava foreign exchange accounts at the banks), it all edds up to an attractive foreign investment regime.

The figures for investments seem to suggest that foreign concerns are responding. The levels of foreign investment, moreover, will become considerably inflated if the Government's plan for large energy projects to be handled by foreign concerns as investments rather than export guaranteed turnkey projects comes to fruition.

Mr Yusuf Bozkurt Ozal, the heed of the SPO and the Prime Minister'a younger hrother, says three energy projects involving imported coal and local lignite are close to being realised. An Australian concern, he says, wents to ehip coal to Turkey for a coal-fired power station.

It is cbeap to transport coal, he claims, provided there is enough of it and large 100,000 dwt tankers are used. The Australlan-backed project would be down on tha Meditarranean Sea, presumably close to large ports like Mersin. Tha investment concerned could amount to $1bn.

Two other projects also involving sums of up to $1bn eech, and also with a projected Turkish Government stake, involve e U.S. concern on the Marmara Sea, and a consortium involving the Swiss Brown Boveri group and unnamed Britisb concerns in the Aegean.

The attraction of making these projects foreign Investments rather than domestic-hased constructions, is, in the words of an Ankara-based diplomat, "that it keeps the costs off Turkey'a books." With e large foreign debt to finance, Turkey wants to avoid increasing its payments' liabilities in the short term.

In the longer term, of course, there would be e foreign exchange outflow since Turkey would have to agree to buy the energy produced by these projects, and at an economic rate.

For the present, bowever, increasing energy capacity in this way avoids an immediate foreign paymente outflow problem while boosting foreign investment.

The Government also hopes that nuclear plants, if there are to be any, would be funded on this hasis.

While the energy projects would substantially boost the foreign involvement in Turkey, the investment Inflow is still relatively small. The figure of $1.2bn for outstanding foreign approvels could translate into only 59 per cent realised projects.

Secondly, until 1983 a lot of the investment was in the form of non-guaranteed trade arrears. That is, companies in Turkey were offered money owed by Turkey which the country had not been able to settle, provided they converted it into Turkish lire end Invested it locally. Probehly 80 per cent of investment was converted in this way.

While most trade arrears bad been settled hy 1984, one bank estlmered thet of the $271m which was approved in 1984, probably only $96m was fresh investment, and some of this was for established companies.

Some observers, who feel that Turkey is unlikely to he the magnet for foreign funds that at first sight it appears. Since the country liberalised its import regime there is less reason to set up manufacturing units.

As one diplomat put it, "why should e company go to all the trouble of setting up, in a still fairly uncertain political climete, when they can simply export goods?" Studies bava been made by the BL subsidiary, Land-Rover. No firm decisions have, bowever, been mede.

There is also the problem of inflation, currently running in excess of 59 per cent, to be considered. This is particularly worrying for prospective local partners sioce, taken together wlth high Interest rates, it can eastly make investments a high risk proposition.

Mr Dan Wilson the commercial attache at the U.S. Consulate in Istanbul says: "I think that there is now a very good investment climate bere, but with the exception of tourism, where there is an obvious need for more botels, companies are holding back waiting to see whet inflation will do. After all, they do not want to see their investment vaporised in a couple of years by price rises."

Dr Killie airily dismisses these arguments. "Yon have got to remember after an initial period there are customs duties and VAT to consider. I can tell you thet if Land Rover or International Harvester or whoever do not set up here, tbey will be undercut by the Japanese who do. Companies will not be able to export to Turkey as cbeaply as the local product. There ere also Turkish companies wbo are as competitive as importers."

As for inflation, he says that since companies can now hold foreign currency they can convert into lira only wben they need to spend cash and thus avoid an exchange risk. He is optimlstic that there is plenty of scope particularly in tourism and agribusiness.

Given the very bigh wastage in agriculture, there is scope for boosting the packaging and wrapping so thet more produce could reacb the market in better condition. Even if one does not eccept the argument that Turkey is ahout to become the granery for the Middle East, exports elsewbere, for value added agricultural products, like tomato paste, could soar.

Companies like ITT and Northern Telecom bave been here for some time. The most recent influx was of banks and accountancy companles. These include accountants Arthur Andersen, Price Waterhouse and bankers Citibank, American Express, Manufacturers Hanover Trust, Standard Chartered are about to set up in Istanbul.

So far, the banks' main interest has been casbing in on the trade boom. Exports bave risen in the nast fonr years from $2bn to $7bn. But as Mr Wilson says, tbey are really the first wave in any new foreign investment upsurge.

One of the Government's latest plans is to privatise most of the 43 or so State Economic Enterprises. Eight forelgn banks have heen given lists of enterprises to look at end advise how they could be privatised.

There should be scope bere for foreigners, since contrary to common belief, the SEEs, like concrete, textiles and fertilisers sectors, no longer lose large sums of money. It is too soon to tell but Dr Kilic could well be correct in forecasting a "take-off."

Companies with foreign capital

Manufacturing	No of companies	Foreign capital TL(m)	% Share in total foreign capital	Total capital of companies TL(m)	% Foreign share in total capital
Electric-Electronic	18	8,288	5.33	14,442	43.53
Machinery	11	2,503	2.12	10,316	24.26
Fertiliser	1	976	9.82	2,065	47.25
Textile-clothing	15	6,326	5.36	13,936	45.39
Chemicals	27	8,895	7.54	11,590	76.75
Glass	3	1,683	1.42	17,450	9.64
Vehicles	9	11,090	9.40	31.768	34.90
Foods-beverages	21	14,100	11.95	25,085	56.20
Metallic goods	11	2,054	1.74	7,753	26.48
Non-ferrous metals	4	616	0.52	3,708	16.62
Iron-steel	6	3,167	2.68	9.550	33.15
Plastic	3	419	0.35	885	47.36
Cement	1	680	9.57	4,800	14.16
Pulp and paper	5	1,750	1.48	3,640	48.06
Forestry products	6	1,003	0.85	2,727	36.76
Rubber	4	2,112	1.79	3,836	55.06
Baked clay tools	6	1,237	1.04	4,024	30.73
Vehicles auxiliary products	9	5,272	4.47	14,220	37.07
Others	7	1,685	1.42	3,441	48.96
Total manufacturing	167	71,856	60.94	185,236	38.79
Agriculture	3	2,293	1.94	4,602	49.82
Mining	3	631	0.53	880	71.70
SERVICES:					
Tourism	14	3,997	3.39	7,428	53.81
Trade	45	1,907	1.61	2,213	86.19
Banking	12	24,325	20.63	30,240	80.44
Land transportation	4	1,321	1.12	1,928	68.49
Marine transportation	3	9,256	7.85	18,530	49.94
Others	16	2,319	1.96	3,719	62.35
Total services	94	43,125	36.57	64,058	67.32
Grand total	267	117,902	100.00	254,775	46.27

By countries

Country	No of companies	Foreign capital TL(m)	% Share in total foreign capital	Total capital of companies TL(m)	% Foreign share in total capital
U.S.	36	17,983	15.25	22,868	78.63
Austria	5	248	9.21	490	50.51
UAE	3	1,370	1.16	2,300	59.56
W. Germany	47	14,404	12.21	31,598	45.58
Bahrain	1	490	0.41	613	80.00
Belgium	3	220	0.18	373	59.05
Denmark	4	1,989	1.68	3,740	53.19
Finland	1	200	0.16	392	51.00
France	6	3,657	3.10	8,520	42.92
Holland	10	9,898	8.39	14,311	69.16
Islamic Development Bank	8	1,494	1.26	7,573	19.73
International Finance Corp	3	1,408	1.19	14,700	9.57
UK	21	3,661	3.19	13,145	27.84
Iraq	3	421	0.35	473	88.97
Iran	6	2,316	1.96	2,397	96.61
Sweden	3	46	0.03	803	5.71
Swizerland	51	20,163	17.10	46,863	43.02
Italy	7	5,535	4.69	9,545	57.99
Japan	2	19	0.01	60	31.66
Canada	1	1,097	9.93	3,540	31.00
Mixed	23	11,976	10.15	32,349	37.02
Kuwait	1	976	0.82	2.065	47.25
Libya	2	11,000	9.32	22,000	50.00
Lebanon	3	1,735	1.47	5,346	32.45
Luxembourg	2	1,051	0.89	2,421	43.42
Pakistan	1	2,382	2.02	2.382	00.00
Panama	2	923	0.78	1,696	54.43
Syria	10	450	0.38	813	55.39
Saudi Arabia	1	549	0.45	600	90.00
Yugoslavia	1	250	0.21	800	31.25
Total	267	117,902	100.00	254,775	46.27

Banks adapt to a revolution

THE GOVERNMENT is trying to reform the banking sector and develop an effective secondary money market market. But with much of industry in debt to the banks and only a limited supply of trained management for financial institutions, the list of problems to be resolved is still a long one.

SINCE 1980, when Mr Turgut Ozal first ettempted to free interest rates in the Turkish banking system, Turkey's bankers have been living with a revolution. At first they tried to resist it. Now they are learning to adapt, but for some banks the process will take many years to work through.

"The market place is in a process of segmentation," says one foreign banker. "The impact of foreign banks has been considerable in significantly reducing the cost of financial services to a small number of multinational companies, but it isn't obvious that it bas yet touched levels below that.

"About 300 companies are getting all the benefits of these new services and technology. But they are a drop in the bucket as far as the Turkish market place as a whole is concerned."

For e few efficient operators—most but not eH of them foreign banks—the last coupla of years bave seen easy profitability. The Akbank, a member of the Sabanci Group, run along uncompromisingly old-fashioned but remorselessly efficient lines, last year netted TL 23bn ($40m) in profits. Tba leading foreign banks—Citibank and American Express—continue to make handsome profits.

One example of the easy transformability of a Turkish bank bas recently been offered by the small Iktisat Bankasi, taken over by the former managing director of Intarbank, Mr Erol Aksoy, which made a profit of TL 320m in the first quarter of the year, roughly the same amount as it did during the whole of 1985.

However, for many Turkisb banks, times are still tough. The Government has created conditions of easy profitability to enable banks with serious bad loan problems to reach a point wbere they may be able to write them off eventually. The trouble is that the method used—interest rates which are at least 10 per cent ebove inflation—depresses the market and creates the possibility of more bad loans and defaults.

Several disconcerting features stand out in a murky scene. The average cost of deposits to banks is 30 per cent, but lending rates are around 60 to 65 per cent. Operating costs are still well ebove European levels. In 1983, 10.3 per cent of loans was being spent on operating expenses.

Until recently most big Turkisb banks have not been externally audited and balance sheets have been doctored by weaker ones to conceal their real position.

This situation is now changing. Some banks have opted for independent auditing by internationally recognised firms of accountants. Later this year, for example, the Cuburova Group's largest bank and one of the two largest private banks in Turkey, the Yapi ve Kredi Bankasi, will be andited by Arthur Anderson.

At the prompting of the Central Bank Governor, Mr Yavuz Ganevi, the regulatory environment will also become a great deal toughar. A new Banking Decree, published in July 1983, bas now been approved by Parliament, and its penal clauses will gradually go into effect. This means among other things that from July next year, it will be possible to know more or less exactly how many bad loans a bank hs.

Though banks bave been obliged to publisb a figure for non-performing loans since 1981, the definition was much too loose. The cabinet is expected to approve a much tigbter definition this yeer. "Basically procedures from now on will be speeded up and made very flexible," says Mr Canevi. "In the bad old days a borrower could count on a delay."

Mr Canevit elso bopes to see more competition on interest retes for both lending and borrowing, and through reductions on commissions and service charges. Central Bank supervision is being steadily improved. An early warning system to alert the Central Bank to any dangerously weak performances bas ben developed, and a uniform accounting system is being introdnced.

At the heart of the banking systems' problems, bowever, lie the related issues of interest rates of up to 80 per cent and bad debts whicb may amount to over TL 1,000bn (total commercial credits are only just over TL 2,000bn), described by one international banker in Istanbul as simply "a black box." Apart from creating conditions which some Turkish bankers regard as being absurdly easily profitable, no one has yet been able to work out a solution.

Many of the banks themselves are shifting their activities away from deposit-taking and credit-issuing. "The credit volume is going down in real terms, especially in the state banks," says one Ankara banker. "The banks are switching to such activities as foreign currency or particularly state bonds. They are going out of the banking business and into the funding business. I find that a bit disquieting."

For many banks, bowever, safety must come first. One of the banks which a few years ago was regarded as among the most innovative and forward-looking bas recently been left licking its wounds and unable to distribute a dividand after a number of bad loan decisions.

Despite this, the sector continues to attract outsiders. There are 14 foreign banks operating in Turkey. By the end of the year, the figure may be 19. There have been several innovations recently.

Early this year, Irving Trust of the U.S. bought a 40 per cent share in the equity of the Yasar Group's Tutunbank (Tobacco Bank). Another U.S. bank, Chemical, bas chosen to enter Turkey in e joint venture with Enka Holding of Istanbul, and Mitsui of Jepan. As a result, the Chemical-Mitsui Bank A.S. will open its doors in July with an American general-manager and a Japanese assistant.

The foreign banks lead the field in several ways. They have trained staff who now occupy senior jobs in several Turkish banks—an educatory role to which they seem resigned. They also offer money more cheaply to some borrowers than the Turkish banks can do.

But above all they are triggering a reorganisation of management methods. This has been strikingly seen in two Cukurova Group banks—first et the Interbank after 1982 and latterly et the Yapi ve Kredi Bankasi where a new corporate model bas been edapted after e major shakeout by the general manager, Mr Husnu Ozyegin—another U.S.-educated banker.

Not everyone is sure that latecomers to the Turkisb banking market face ricb pickings. "Basically there are only two foreign banks bere, American Express and Citibank. The others don't matter," growls a Turkish banker.

Though the Turkish banking world appears to be overpopulated—with more than 40 deposit-taking banks, entrepreneurs are still eager to set up new banks. Last December, e group of contractors and exporters set up the Istanbul-based Export-Import Bank of Turkey, intended to provide sophisticated financial services to exporters and several key locations.

Another new bank is Adabank, set up by an Istanbul businessman Mr Kemal Uzan who recently purchased the Imar Bankasi from the Dogus Group.

These developments have not altogether pleased those who hoped the 1983 Banking Act would prise the banks out from the control of the large bolding companies. Even Koc, Turkey'e best known industrial group, which sold out its major stake in the Garanti Bankasi 18 months ago, is now planning to set up its own commercial bank, to be called the Kocbank.

Some bankers believe it would be bealthier if the relationship were reversed and banks sometimes exerted more supervision over industry, for instance by insisting that on the right to appoint directors to companies they are keeping afloat.

The tangled relationship is almost as complex as the pattern of responsibility for the failed loans which weigh down the sector. The inside story of some of the worst bad debts makes it difficult to apportion blame along lines of commercial rationality usual in the West.

David Barchard

Leasing poised for growth

Financial markets

DAVID TONGE

THE DEALING room of Genborsa, one of Turkey'a active bond traders is an elegant, well-furnished office, ideally suited for receiving a client, seating him comfortably, and offering him the cups of coffee which fuel local business.

"Business is good," says Mr Tuncay Artun, general manager. "By the end of May, we will have done the same turnover as we did in the whole of last year." Yet an air of peace prevails, the telephones are quiet, and there is no sign of visual display units or any electronic linkage with the outside world.

At the current state of development of the country's capital markets, such aids are of secondary importance. A decade of inflation and economic difficulty have left their mark. But change is under way. Turkey'e own financial revolution, bowever modest on a world scale, is beginning, with foreign banks playing an active role.

This year, at least six more foreign banks are expected to join the 14 already present in Turkey. In the past, newcomers bave been happy to rely on the good margins available in traditional trade business. A sign of the times is thet Manufacturers Hanover Trust, though only having opened last winter, is already laying plans for competing with establisbed names in the bond markets.

Indeed, in these markets, to the Government's delight, the foreign banks are belping slowly to bring in techniques familiar ebroed. Prospects include the establishment of the country's first merchant bank and, once the leasing law is passed, of its first leasing company.

The legal framework for the country'e capital markets was enacted in 1981. A supervisory Capital Markets Board bas been established and staffed, and is ensuring that those wishing to enter the markets meet the firm requirements of the law.

The money brokers wbo flourished and collapsed in 1981 and 1982 had merely needed to obtain e licence costing TL 1,200. Now those who wish to underwrite securities must have e minimum capital of TL 200m, while those wishing merely to trade need e minimum capital of TL 50m. Such companies are now under the continuous scrutiny of the Capital Markets Board, as are publicly held corporations.

A new stock exchange law has been introdnced, replacing one dating back half a century.

The newly-appointed Board of the Istanbul Stock Exchange last month held its first meeting. It is belping draft regulations to revitalise the currently moribund stock market and expects to finalise these regulations this autumn.

Attention is being paid to improving the status of the auditing profession as a first step towards requiring external auditing—though a draft bill on this has attracted strong criticism from foreign accounting firms.

A further development is in the field of leasing. After a year and more of preparation, a law covering leasing is now being brought before Parliament.

Snch slow and often protracted basic steps bave begun to restore the investors' confidence and to lessen the bruising memories of the money brokers' crashes in the early 1980s.

Equally important, there has been e major improvement in the qnality of financial instruments being offered to the public.

The spur to change bas been provided by the authorities. Last year the treasury pnt out over TL 1,000 bn (about U.S.$2.7 bn) worth of paper, four times the figure for the previous year.

The issues which attracted most beadlines were the shares in the revenne earned by the toll bridge over the Bosphorus and, this year, the Keban hydro-electric dam.

These shares were a new financial instrument involving citizens directly in the finances of some of Turkey's proudest engineering achievements. They represented a small step towards privatising the economy, a policy to which the Government ettaches such importance. Adding to the intrigue of this new financial instrument was that it had been structured so as to be acceptable to investors determined to observe the Koranic injunction on interest.

But the major new market bas been in treasury bills. These accounted for over three-quarters of public issues in 1984. Issues of treasury bonds—given to exporters to whom the Government owed cash export rebates and also to contractors wbom the Government could not afford to pay—are gradually being reduced.

The Government'a hope is that it will eventually create such an active bill market that this can be used to set interest rates throughout the country'a financial system. But it is running into problems with the International Monetary Fund (IMF), which would like some ceiling on the extent to which Turkey monetises its budget deficit.

The Government has also been discovering that some of the Turkish banks bava been finding the yields on treasury bills so attractive that they bave been buying all they can for holding in their own portfolio rather than for trading.

The interest the banks receive on the bills is tax free, while the interest they pay on the deposits they use to fund the bill purchases is a tax credit.

A few banks, like Mr Erol Aksey'a Iktiset Bankasi, bave been buying for turnover. A number of the more entrepreneurial foreign banks like Citibank are also developing this side of the business.

For Mr Peter Nice, head of the Chase Manhattan branch in Turkey, one problem in the development of Turkey'a capital market is the lack of a *fully* functioning interbank money market. He argues that this market is needed if funds are to be shifted quickly around the system.

But many problems exist. The first is within the banks themselves. Branch managers are often reluctant to give up surplus funds. Only a few banks like Yapi ve Kredi have their main branches connected to an on-line computing system.

A second problem is that the markets are still not accustomed to handling large sums at speed.

Another problem in this area is one which—like inflation—pervades the whole financial system, the lack of reliable information about the people with wbom you are doing business.

The new draft law on the auditing profession does not require external auditing. Indeed it is reportedly aimed at ensurang mere tax compliance.

Inherent in all this are the reasons why it may be some time before the stock exchange, founded during the Crimean War, but now little more than a sbell, takes off.

Before 1980, firms preferred to fund themselves from commercial banks at negative real interest rates rather than turn to the equity market. After 1980 inflation was too high for investors to be interested in long-term commitments to a company, particularly when gold, foreign exchange, real estate or bank deposits offered better returns. Now the yields offered on Government paper crowd out interest in equities—and few people trust the figures that appear in company balance sheets.

Of the pension funds, it is mainly the banks' *own* funds which have assets and these are put in real estate. The income of the state pension funds tends to be used to help cover the budget deficit.

Life insurance is virtually non-existent in Turkey and other insurance companies tend to keep their assets to a minimum, preferring to pass the maximum profits back to their shareholders?usually industrial groups or banks.

In this situation, the present administrative delays are relatively unimportant. Members of tha Stock Exchange Board say that they do not expect to complete drafting the regulations of the exchange until around October.

If this is one area where delay is possible, a second is in the field of leasing. A year ago the bead of one foreign bank in Istanbul was confidently predicting that the bill covering this—and in drafting which the foreign banks have played a role—would be enacted in July. Today, the latest draft has just been withdrawn from Parliamentary committe for more modifications. However, as Mr Thomas Kane, of Manufacturers Hanover Trust, says, "They are definitely moving in the right direction."

There is little doubt that leasing could do as well in Turkey as it has in countries like Brazil and Korea.

The International Finance Corporation is actively encouraging developments in this field. A number of Turkish companies are poised to move into this area.

They will probably act more quickly than the major foreign companies who warn they could need a year or more to launch e major operations in Turkey. But even if the law were enacted tomorrow it would still be 1987 before leasing becomes a force to be reckoned with in Turkey.

David Tonge is Director of IBS, International Business Services, Istanbul, a consultancy firm helping investors and traders interested in the Turkish market.

Slowdown in the Middle East construction

VAST opportunities and rapid growth await investors in Turkey's major industrial sectors, but investment is hampered by lack of funds and high interest rates. The future lies with export-oriented firms.

MUCH PLAY is made in Turkey at the moment of the buge increase in merchandise exports since the country's economy began to be liberalised in the early 1980s. Exports beve increased from around U.S.$2bn in 1981 to more than $7bn by the end of 1984.

Less heralded, but equally significant, has been the steep rise in the aales of services in general, and construction in particular. Although Turkey does not give an exact breakdown of services ebroad, it is probable that the country's construction industry has been earning up to $1bn directly from ectivity abroad.

If the proportion of workers' remittances is added in, this figure becomes higher. Workers' remittances in 1984 were $1.9bn. Again the country's national accounts do not give a breakdown, and only e small proportion of workers abroad would be directly employed by Turkish construction companies. Nevertheless, in terms of the *overall* export picture, the contribution is significant.

For the big construction companies like Enka and Sezai Turkes Feyzi Akkaya (STFA), a large proportion of turnover comes from abroad. Mr M. *Ayhan Sayrac*, the *marketing* director of STFA says that of the company's turnover of $200m 90 per cent of the work has been coming from outside the country. The company reckons to make a return of 10 per cent in gross profit on turnover and is involved in most kinds of civil engineering work. Its speciality, however, is marine engineering, notably harbours and jetties, as well as sewerage and other water works.

Religion is an important reason why Turkish companies have done so wall ebroad. "Turkish companies havo done very well in the Middle East because we are Moslems," Mr Sayrac observes. For some contracts, in countries like Saudi Arahia, only Moslem contractors have been allowed to undertake the work. In the twin holy cities of Mecca and Medina foreign workers are permitted but they have to be Moslem. Non-Moslems are forbidden to enter the cities.

It is not simply a qnestion of religion, bowever. Mr Sayrac odmits, as do others in the construction industry, thet Turkish companies have been ehie to work on very tight profit margins in some countries.

Geographical proximity also helps. STFA has dono lots of work in Iran and also in Libya, as well as *in Saudi* Arabio and some of the Gulf states. Turkey's position as the country where Europe ends and Asio begins has been useful in servicing surrounding countries.

The Middle East boom, however now seems to be largely *over*, at least for STFA. "A lot of the infrastructure has now been built particularly in the Gulf states," *says* Mr Sayrac. "Countries like the UAE are not going to be needing new harbours and ports for the foreseeable *future*."

"Besides which, the oil price has dropped so much in recent years that many Arab countries are cutting back and postponing works that still need to be done," he added. He cites Libya as the latest couotry where projects and plans bave been shelved. Recent reports suggest that up to 200 contracts could be affected hy Lihya's cutbacks.

The slowdown in Middle East activity is reflected in STFA'a turnover. In 1982 it was $236m, in 1983 $215m and last year it was $205m.

The company, like others, is now looking closer to home for work, and with the tight margins it has achieved in Middle East stand a good chance of doing well in Turkey.

STFA is the lead Turkish company in the controversial $550m contract to huild a second Bosphorus hridge together with the access roads and motorways.

STFA is involved with Italian and Japanese companies in a consortium which undercut e rival tender from Enka and Cleveland Bridge, the British subsidiary of Trafalgar House, the company which built the first Bosphorus bridge.

The losing consortium made e bid of over $670m. British Cabinet ministers claimed it was *only* because of the extremely generous nature of Japanese export subsidies that the STFA/Japanese group was eble to bid so low.

There now seems a possihility that the British group will get some of the work involved in building the bridge.

However apart from the well known projects like the Bosphorus bridge and the Ataturk dam, Turkey needs new power stations. STFA has, for exampte just won an order for a thermal power station worth $20m. There is talk of nuclear power stations, a geo-thermal power station on the south coast, and aoother project to import coal from Australia for a coal fired power station. There are also numerous hotels and holiday village projects in which local companies are increasingly involved.

Foreign investors can now have e 100 per cent involvemeot in Turkey because of the easier laws and cutback in bureaucratic red tape, hut most prefer to go in with a Turkish company.

In the foreseeahie future, there might be less work to be found overseas and, therefore, less in the wey of invisible earnings. Overall turnover, of the larger companies at least should stand up well enough however, because of the projects in Turkey itself.

Stewart Dalby

Way opens for Rothmans to tap tobacco market

ROTHMANS INTERNATIONAL has been eyeing *Turkey as a potential market* for some time.

For a number of years a well-known U.S. concern smuggled up to 5bn cigarettes annually into Turkey. Smuggle is perhaps the wrong word since the authorities knew about it and turned a blind eye. The cigarettes were only a small top-up to the local market, amounting to some 70bn cigarettes a year *and dominated by the* brands produced by Tekel, the country's state monopoly.

Rothmans' regional directors reckoned that the U.S. company made up to $60m a year on *the trade*. Rothmans did not want to engago in "smuggling" itself but did want some of the action. The chance came with Turkey's liberalisation of the cigarette market as well as the terms for foreign investment over *the past two years*.

Foreign cigarettes now come into Turkey under quota. As the Government now levies 10 per cent VAT on a wide range of goods, as well as charging customs duties, everybody is happy. The Government gets revenue it did not receive during the smuggling days. The company makes good the extra cost with higher prices.

The demand is there even though the U.S. cigarettes can cost as much as $2 a packet against TL 130, or less than 30p, for the local brand. Rothmans can now also legally tap this market by exporting to Turkey under quota.

The company has decided to go further though and has set up a joint manufacturing venture. It has started a small pilot farm of eight hectares *which it may expand to 16 or* 20 hectares to produce Virginia tobacco.

The company is also building a £5m manufacturing plant in eastern Turkey at Bitlis to produce local brand cigarettes under the names Best and Bitlis.

The group is going into partnership with some Istanbul businessmen who originally came from the region and say they want to belp develop the area. The factory will employ 200 people and Rothmans, particularly because the project is in a developing region, received an attractive package from the Foreign *Investment Department*.

The company received a 20 per cent cash grant to build its plant and there is to be Corporation tax relief on investment for five years. There are 4 per cent export subsidies for the first couple *of years*, although these are to be phased out. Interest rates on loans will be at half the normal rate—that is 35 per cent instead of over 70 per cent—and a foreign exchange insurance guarantee *for up to half of borrowed* capital.

The company itself has to put in only 30 per cent equity, £750,000 since it is a 49 per cent joint venture. *Another* concession, although this hardly tonches the company, is thot personal tax allowances for employees are to be increased fivefold.

The company will initially be producing for the domestic market. In the long-term however, Mr Tony Jones, the regional director for Rothmans, hopes there will be exports and that the plant ot Bitlis will lead to bigger things.

"*When they start* breaking up the state monopoly, Tekel, we could be talking about and be involved in projects worth £40m," he says.

At the moment, Turkey produces some 200,000 tons of black tobacco a year. Some 90,000 tons is exported and 70,000 tons is used locally, where it accounts for 90 per cent of the market. Some private merchants can buy leaf but Tekel has to buy everything that is left.

The current thinking is that Tekel will keep marketing activities and that manufacturing plants with private investors, some foreign, will be set up. One suggestion is that Tekel's existing plants will form their share of the investment.

S.D.

Upsurge in trade begins to flatten out

FOR THE past four years Turkey has tried to follow a policy of "fly the flag" as far as shipping is concerned. The military governments of the early 1980s were worried that only a quarter of Turkey's trade (including transit—goods crossing Turkey from one country to another) was carried by nationally registered ships.

The country was paying up to $500m a year to foreign carriers. To change this, a system of easier credit and other incentives, such as relief on freight charges, were introdnced. The idea was that hy 1993 *at* least 60 per cent *of* all trode going through Turkish ports would be carried by nationally-registered ships. The fleet by then would be of the order of 8m dwt and include nearly 1,000 vessels.

The *incentives* tonched *off* a bnying spree. The size of the Turkisb fleet almost doubled from 2.5m dwt to more than 4.5m dwt.

With the liberalisation of trade, particularly from 1983 onwards, both Turkish imports and exports have aoared. Exports, for example, have increased from $2bn in 1980 to probably around $7bn in 1984.

The shipping companies, both old and newly-crated have participated in this bonanza. Transit trade to Iran and Iraq, because of the war between the two countries, became a particularly welcome windfall. Today this trade is still worth *some* $600m. The bulk *of* the trade is grain and other foodstuffs shipped into Black Sea ports like Trabzon, Samsun and Hope and then trucked across into Iran.

However, there are signs that the upsurge in *shipping* trade is beginning to flatten out though business, according to Mr Rifet Karacimseli, the director in charge of agency work and trucking st Marti Shipping is still steady.

Much of the new trade generated by import liheralisation and increased exports, is coming by road. Items such as Mercedes cars and liquor are being trucked in and although some 90 per cent of Turkish trade may have been seaborne at the end of the 1970s, this is almost certainly no longer the case.

According to one shipping handbook, shipowners and charterers have had trouble in finding odequate crews for Turkish registered vessels. There is no shortage of potential ordinary seamen according to The Charter Company's annual Ports and Shipping Handbook hut there is, it seems, a serious shortfall in qualified officers end rotings.

Many Turkish officers work on foreign vessels where pay and conditions hove been better and they beve not returned to Turkish vessels during the recent expansion. Because of this there is again talk of "flagging out" among shipowners—thot is diverting cargoes to foreign-registered vessels.

Shipping and Shipbuilding

STEWART DALBY

Even without the flattening of trade and tho crewing problems, however, a shakeout in the shipping sector had been expected because of the nature of tho buying spree.

When tho incentives were first announced, thero was e rush for old secondhand ships, particularly betweon 15,000 dwt and 30,000 dwt. In some cases, ships were bought for their scrap valne, and loans were used for renovotion. This meent that the Turkish fleet became very old and more than 60 per cent of the fleet is now more than 20 years old. Ships more than 15 years old, strictly speak*ing*, are not *allowed* to enter certain Middle Eest ports.

According to Mr Karscimseli et Marti many entrepreneurs bought a single ship largely on credit. In 1983 when Mr Turgut Ozal returned to power as Prime Minister after a short period ont of office, credit policies were tightened putting many of the single vessels shipowners under pressure. With depressed freight rates on one *side* and *high* interest *to* pay on the other margins became impossibly tight.

Mr Karacimseli cites e notional shipowner with one vessel who, borrowed $1m to huy a vessel. Even if he borrowed at a concessionary rate of 35 per cent (and interest rates todsy are normally ot eround 70 to 80 per cent), then teken together with high overbeads for one boat and depressed freight rates his profit margin would be slim, if it existed at all.

The consolidation taking place in *shipping* could, however, benefit the country's shipbuilders. As Mr Aykut Gurlek, a director of Sedef, e medium-sized Turkisb shipbuilder observes: "Turkish shipbuilders bave not really derived much benefit to date from the expansion in shipping because the purchases were second band. But now we are beginning to feel the benefits of the liberalisation of shipping."

Mr Gurlek was not complaining. Turkey supports a medium sized shipbuilding industry. There are naval yards — seven in all in the state sector—which are largely controlled by the maritime bank. The Turkish Shipbuilders Association is made up of 35 yards in the private sector.

Mr Gurlek reckons the Sedef portfolio is fairly typical of the largish privately owned shipbuilders. Since 1973 Sedef has constructed some 51 vessels. These range from tugboats to piling barges and multipurpose cargo ships to pulp wood barges.

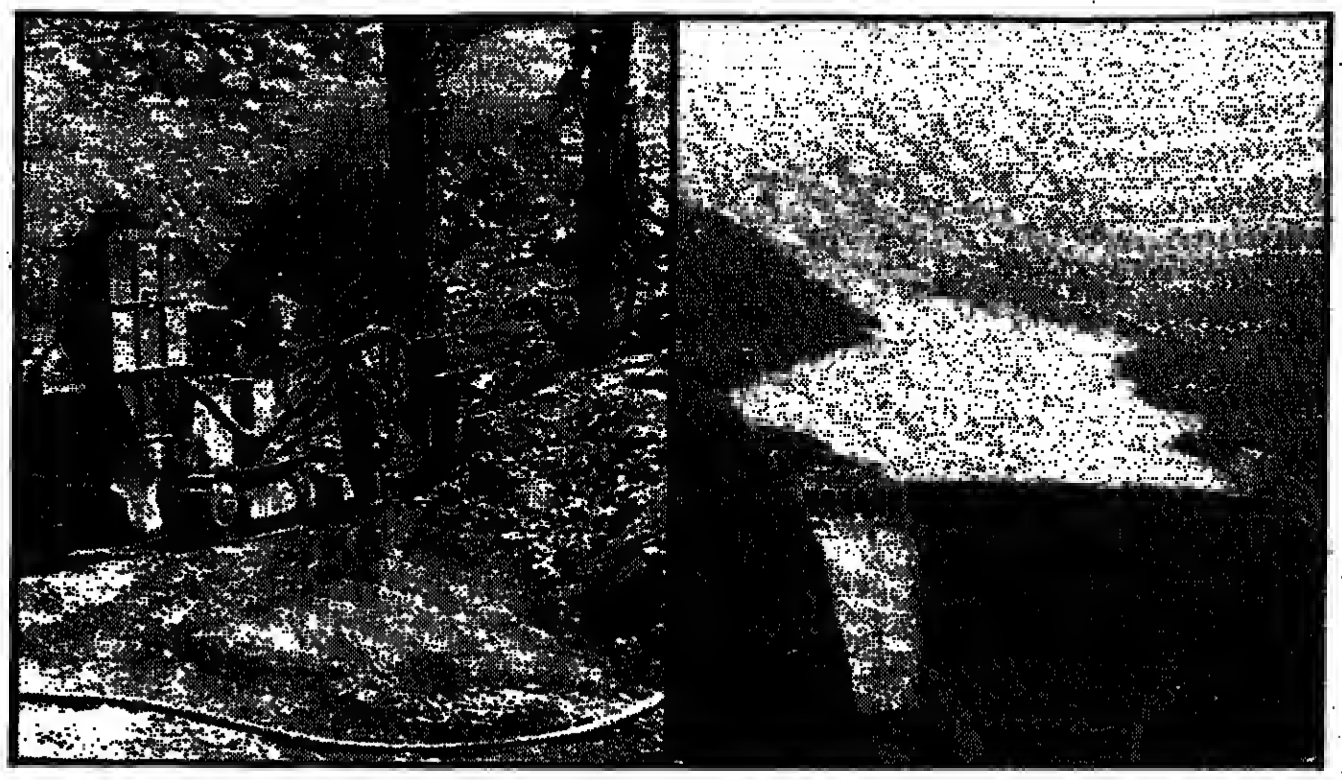
At least one third of these vessels have been for foreign buyers. Foreign buying has been particularly marked since 1981. Of the 16 vessels built since then, nine have gone to foreign buyers, particularly Libya. Turnover last year was $25m, and Mr Gurlek says a good return was made on this.

The situation could now change, he thinks, as Turkish shippers look closer to home to replace their ageing fleets. The situation could further improve if the Government makes credit to prospective shipowners easier. "The government has been helpful, but not belpful enough in my view," Mr Gurlek says. There *is* now e plan however, for revolving credits for up to eight years. This will include part suspension of interest, making it worthwhile for shippers to buy domestically.

Decisions awaited on nuclear plants

Energy

STEWART DALBY



Work continues on tha giant Karakaya Dam on the Enphrates. Right, the Hasan Ugurln Dam near Samsun, part of a national programme to harness the country's hydro-electric resources

A SHORTAGE of energy has long been a bottleneck to development in Turkey, as well as a considerable source of irritation and annoyance in the major cities.

Although the power cuts and long petrol queues of the late 1970s and early 1980s are now a memory, the country today has barely enough energy to keep industries running. There are fears that by the 1990s there will not be enough power to meet the demands of a larger population (possibly 60m people by the end of the century compared with 47m today) as well as the needs of expanded industries and greater agricultural activity.

Short of oil of its own, Turkey is developing its hydro and thermal sources of energy. Even so, there could still be a deficit towards the end of the century. One oil group estimated that total energy demand in 1980 was just over 30m tons of oil equivalent (toe). This could rise to 48.3m toe by 1988 and doubla by the year 2000. Put another way, Turkey's per capita consumption of energy is 600 kilowatt/bours (kwb) a year, a fraction of that used in Western industrialised countries.

One way of filling the gap could be to develop nuclear energy. For a while it looked as if the Government of Mr Turgut Ozal, the Prime Minister, would take this option in the short term and it may still do so in the medium term.

In November 1983, the Government signed letters of intent with three groups, General Electric of the U.S., Atomic Energy of Canada Limited (AECL) and Kraftwerk Union of West Germany. The original discussions involved the U.S. concern building a plant of two units amounting to 1200 megawatts (Mw) capacity, the Canadian group a 635 Mw plant and the West German concern a 990 Mw nuclear power plant. It was never made clear, however, by Turkey whether, in fact, it wanted two 600 Mw plants, one of this size or a single larger unit.

Nor were the tentative sitings of the plants entirely satisfactory. There were to have been two units at Akkuyu in the south of the country and one at Sinop on the Black Sea.

General Electric dropped out of the running early in 1984, but AECL and Kraftwerk Union came up with export guarantees to build the plants on a turnkey basis of $500m and $800m respectively at current prices.

In the event discussion about sitings and size became academic because in September 1984, Mr Ozal suddenly changed the rules. The winning group was expected to shoulder all the financing for a nuclear plant — about $1.5bn — and to operate the plant for 15 years before handing it over to the Government.

In other words, the Government wanted the project to become a foreign investment by the country concerned (and Japanese and other U.S. companies bave recently shown an additional interesl) and not, in effect, a export-guarateed project which Turkey would eventually have to pay for in scarce foreign exchange.

It is true under the Ozal scheme, as it has become known, any company which built the plant could price the energy realistically and recoup some of its investment this way. In the end Turkey would still bave to pay foreign exchange for the energy. However, should the Ozal Government lose power, a new government of a different ideological bent could be elected and decide it did not want to buy energy at commercial rates.

Dr Kurt Leonburger, the commercial attaché at the West German embassy in Ankara, says be cannot recall companies in West Germany undertaking sucb a large single foreign investment for many years.

Otber diplomets in Ankara say they believe, although they bave no certain knowledge, that Mr Ozal proposed the new scheme for two reasons. First be was concerned about increasing the country's foreign debt at a time wben be is trying to convince international creditors that the existing $19bn or so of outstanding foreign debt is manageable.

The Ozal scheme has the attraction of keeping the foreign debt to a minimum in the short term. Second the nucler option is a medium to long-term project about which a immediate decision is not vital.

Various other energy programmes are proceeding; in particular three thermal power plants which would be funded as foreign investments rather than turnkey trade guaranteed scbemes look like being realised.

An Australian concern wants to import coal for a power plant on the Mediterranean coast. This would be a 1200Mw plant and cost $1bn. There are two other schemes in the plpeline costing similar amounts but using local lignite.

Again the Government apparently will guarantee to buy the energy produced at e commercial price, so there will still be e foreign exchange cost, but this will be some way off.

At present Turkey produces 45,000 b/d of oil, which amounts to some 15 per cent of its oil requirement. Oil itself accounts for perhaps up to 40 per cent of total energy needs. The remainder of the 308,000 b/d of oil that is used is imported. Iraq bas a pipeline to Turkey through which it is currently pumping nearly 1m b/d. Turkey bas the right to buy nearly a quarter of this at preferential rates.

But even so the high cost of imported oil has hit Turkey bard. It was after the two oil shocks of 1973-74 and 1979 that Turkey seriously began to get into debt internationally. It bad limited means of financing its inflated oil hill. Even today, imported oil accounts for the equivalent of 40 per cent of import bills and almost 60 per cent of export earnings.

Turkey used to produce more oil—some 70,000 b/d a decade ago. However, an unfavourable and complex system dating back to 1954 rather discouraged further exploration. At the moment, out of the 45,000 b/d produced, Sbell which bas been in Turkey for 60 years, is responsible for 16,833 b/d from 105 wells in 15 fields. The state company TPAO produces 17,907 b/d and Mobil some 6,010 b/d.

Starting in 1980, Turkey began to bring in a new regime whicb culminated in 1983 in allowing companies to export 30 per cent of their oil at current prices. Mr Mark Moody Stuart of Sbell in Istanbul describes the new regime as "very favourable."

There is a maximum tax rate of 55 per cent and a royalty payment of 12½ per cent. Companies can be 100 per cent foreign-owned, although because of the TPAO concession joint ventures would seem more the order of the day.

The clearer ground rules have encouraged renewed exploration. A Swedish company Iskenderun, bas been drilling off the Bay of Iskenderum and Shell, Mobil, Huffco and Atlantic Richfield have all been investigating. One scheme to increase oil is a gas injection scheme using carbon dioxide at TPAO's Bati Raman field. The World Bank bas put up $62m for this sophisticated plan. If it works it could triple recoverable reserves to 1.5bn barrels.

The outlook for buge oil discoveries is not good, however, and Turkey is looking to other sources of energy.

It is thought that there could be three times the known 4bn cubic metres of gas reservea in Thrace. If this turns out to be the case this gas could replace the 1.8bn kilowatt hours of electricity Turkey buys each year from Bulgaria and tha Soviet Union.

It is more likely that the Thrace gas will feed into a pipeline that is planned to run from the Soviet Union from 1987. The Soviet gas together with the Thrace additions would meet the demands of the greater Istanbul area.

Turkey has some coal reserves which continue to be exploited. In particular, there is a plan to exploit high quality metallnrgical coal on the Black Sea cost. There is also the Australian scheme mentioned earlier. Known reserves of lignite are around 5bn tons and present production is only 20m tons a year.

Lignite has only 30 to 40 per cent of the calorific quality of coal so huge quantities need to be mined. It is high in sulpbur content and this causes severe pollntion.

Despite the problems with lignite, Turkey is planning to expand its use in its thermal power programme. The Turkish Electricity Authority brought into service in 1983 the first of four 350 Mw turbines at the Afsin Elbistan lignite-fuelled power station.

As the other plants are completed they will produce 1.4bn Mw. A further 1.5bn Mw capacity will come from seven plants being built at Mugla and 660m Mw from four other units in Central Anatolia. Eight smaller units are planned for around the couitry.

In all, the Government has secured some $1bn towards the cost of its thermal power plant construction programme out of an estimated total $2.4bn. Notionally thermal power could supply up to one-third of total energy needed by the 1990s.

It is the plans for hydroelectric power which have really caught the imagination of Turks, however. There are schemes for 13 hydroelectric plants, some of which are under construction. All told these would add 6,414 Mw to th total 3,200 Mw capacity provided by the existing but mainly small 46 hydroelectric plants.

The centre-pece of the hydro electric programme is the Ataturk dam which almost amounts to a national dream. When completed it should have six 300 Mw power units. The dam's rock-filled wall would be 189 metres high, create a lake 817 km square and contain 48.7m cubic metres of the Euphrates.

The idea is that this project, which is the largest public works scheme ever undertaken in Turkey would not only provide power, bnt also irrigate the arid Urfa plain in the southeast of the country. This would turn the underdeveloped eastern region into a bustling thriving area and could conceivably double the country's output of cotton, rice, sugar, sugar beet and vegetable oil, and tobacco, much of which could be exported to neighbouring Middle East countries.

If the Ataturk dam with its 2,400 Mw capacity (when fully realised) is taken together with two other dams on the Eurphrates, tha Karakaya, 1,800 Mw and the Koban 1,200 Mw, total power generation possibility will be 5,400 Mw.

Sbell estimates that if there is an average load factor of 65 per cent and a generating efficiency of 33 per cent typical modern power station of 1,000 MW capacity requires a fuel input of 28,000 b/d oil equivalent. In other words these three dams could on average produce 151,000 b/d oil equivalent or half current oil consumption, 85 per cent of which is expensively imported.

The cost of the machinery for the dam appear to be covered. Export credits from abroad, particularly Switzerland, worth $430m (SwFr 963m) have been forthcoming largely to finance turbines and generators. But the ultimate cost is expected to be $2bn and not all of this money has yet been found.

Diplomats in Ankara feel that Ataturk will ultimately be built, even if the first 300MW unit does not come on stream until 1991.

When it is completed Ataturk could raise tricky diplomatic issues with Iraq and Syria, both of which depend on the Enphrates for water to some extent. Iraq has apparently swallowed the misgivings about the scheme and has been assured of a regular flow of at least 500 cubic metres a second, but it is unclear whether Syria will be happy with the dam.

Turkey has enormous bydroelectric possibilities. So far it has tapped less than 20 per cent of its potential sources. However, despite this and tha irrigation possibilities it seems unlikely because of the high start up costs that Turkey will ever depend entirely on developing hydroelectric nower to the full (it would require another 250 plants to do this).

Instead, Turkey's need for energy could be so great that whatever tha qualms it will be necessary to build nuclear plants.

Formidable barriers to industrial action

ON MAY DAY, a front-page headline in one of Turkey's newspapers read: "Ozal indifferent to labour threats." The reasons for this dismissive attitude are not difficult to surmise, despite the fact that inflation has eroded worker's incomes by up to 40 per cent over the last five years.

The so-called threats had been made by Turk Is, the country's biggest confederation of trade unions that is widely regarded, by dint of its pro-government sympathies, to have few teeth.

The campaign by Turk Is amounted to a series of protest rallies throughout the country rather than any form of industrial action. It was a plan that was said to have been drawn up by Mr Sadik Side, the movement's general secretary who, the critics point out, was the Minister of Social Security in the Government that passed all the restrictive labour legislation in the first place.

Despite its apparent passivity, Turk Is, which has traditionally represented vast numbers of state sector workers, is the only one with a serious role in wage bargaining. Its right-wing and religious counterparts — Misk and Hak Is—have little support and the left-wing Disk movement has been banned for alleged involvement in the terror and anarchy of the late 1970s.

About 1,000 Disk members are still on trial, the public prosecutor having requested the death penalty for 76 of them. Most of those on trial, however, are out on bail and members of the executive committee were released last September after being four years in prison.

Turk Is has a membership of almost 200,000 a large majority of them state workers who made up almost half the workforce employed outside the agriculture sector. Many of its new members, though are former Disk supporters who see Turk Is as their only means of representation and hope to radicalise it.

The newcomers from the left are more likely contributing to rank and file criticism of the Turk Is leadership which has resulted in a more active line from the top and the movement's withdrawal last month from the Supreme Arbitration Board, the tripartite, government-dominated body that, since 1980, has decided the terms of labour contracts.

The Turk Is leadership was due to meet in Bursa on May 12 to decide a plan of action after the breakdown of talks with Mr Turgut Ozal, the Prime Minister, in which he turned down requests to review the law on strikes and lockouts, halt government intervention in wage bargaining and institute other improvements.

It is highly unlikely that the meeting will result in more aggressive labour tactics in the way of widespread strikes which, contrary to opinion from abroad, are not forbidden.

Labour Relations

STEPHANIE GRAY

Mr Mustafa Kalemli, the Labour and Social Security Minister, proudly points to the 1982 constitution. "As can be seen, the constitution of the Republic of Turkey principally adopts that trade unions and collective bargaining are the foundation stones of labour life and that the rights to strike and lock-out are the two indispensable elements of a free collective bargaining system."

"It can safely be said that Turkish labour life can now favourably be compared with the level enjoyed by many industrially-developed countries," he says.

However, the list of conditions under which industrial action is proscribed is a formidable one —a result of the government's determination to eliminate union militancy that was part of the dark days of the late 1970s.

The constitution declares that trade unions "shall not engage in activities that may endanger the indivisible integrity of the state, with its territory and national sovereignty, the Republic, national security, public order, general peace, the public interest, public morals and health.

"Nor shall they pursue a political cause, engage in political activity, receive support from political parties or give support to them and they shall not act jointly for these purposes with associations, public professional organisations and foundations."

If any of these conditions cannot be interpreted to declare a strike illegal, the authorities may and do use a technique of enforcing continuing postponement of action.

Turk Is unions, however, managed to organise two strikes, the first since 1980, last year after the resumption of collective wage bargaining in May. Neither of them was very important or successful.

The resumption of collective bargaining brought wage settlements in the public sector of between 25 and 35 per cent —figures considered by workers as inadequate at a time when inflation is running at between 50 and 60 per cent. The increases were expected to pave the way for moderate private sector settlements but those in the private are often around 50 per cent.

Well-run companies, particularly in the metal and chemicals industries have been quite generous, metalworkers gaining rises of 64 per cent last year.

However well or badly paid, most Turks are more than happy just to have a job. Unemployment is estimated to be at least 20 per cent. The figure would be much larger if underemployment is taken into account.

The total would spiral if the conscripts who make up half the 550,000-strong armed forces were included. These conscripts receive pitifully low pay that amounts to less than the price of a packet of cigarettes a week.

Despite the pressures of much lower standards of living, the re-emergence of radical union activity still seems remote— —certainly while the trial of Disk members continues. One theory is that the trials will continue, for as long as possible as a means of making left-wing militants uneasy.

When it is considered safe enough, the theory goes, probably in a year or two, some sort of compromise will be reached with say, a Disk member first being sentenced to five years jail and then released, his having been found to have already served his time.

In the meantime, international labour organisations have maintained their interest in and criticism of Turkey's labour policies. They also continue to support the families of jailed trade unionists.

PROFILE:

TURKISH AIRLINES

Overseas routes bring in profits

TURKISH AIRLINES (THY) is beginning to emerge from the shadows that pulled down its safety record in the mid-Seventies and has sharply increased its load factors. The airline is now on a profit plateau, albeit at a lowish level.

Mr Ucal Dalgic, head of public relations at THY, admits that as a result of the DC-10 crash in Paris a decade ago the airline suffered. "People were wary for some time," he said as the airline became linked in the minds of many air travellers with a poor safety record. THY, however, was at pains to point out the crash was not its responsibility.

In 1980, the company made a loss of TL 1.9bn (£3.2m), a further loss in 1981 and then a small profit in 1982. There was a profit again in 1983 of TL 2.8bn (£4.4m) and then a substantial increase in profits last year to TL 27bn (£42m). The amount of foreign exchange earned for Turkey in that year was put at TL 254bn (£400m).

The airline now flies to 36 international destinations and 16 domestic ones, using a fleet of 30 aircraft. This includes one DC-10 and 9 DC-9s, as well as a number of Boeing 727s, and some Canadian DeHavilland propeller-driven Dash-7s. The fleet will be augmented later this year by the addition of four Airbus Industrie A-310s.

These latest recruits, bought after a struggle between Airbus and Boeing, are expected to fly nine international destinations.

It is on international routes that Turkish Airlines is making its profits, although there is no official breakdown of revenues. For many destinations THY have just one flight a week. Places like Hamburg and Frankfurt in the West and Abu Dhabi in the East warrant several flights each week.

The large number of Turkish workers still in West Germany and many Middle East countries form the backbone of the airline's trade.

Service on the international flights is adequate, and getting through Istanbul now that the new terminal has opened is not the nightmare it once was. Customs procedures have eased a little and there are not so many armed men in evidence. Getting back into Istanbul International Airport can be a problem as passports and tickets have to be checked on the approach road. But taxis are increasingly just waved on.

The domestic network, however, is in need of an overhaul. It is virtually impossible to go to any northern airport from Istanbul without passing through Ankara, although Ankara is more southernly than Istanbul.

Similarly, to go to Antalya in the south from Ankara, you have first to fly north to Istanbul, except for one flight which goes direct, but only once a week and virtually in the middle of the night.

Western diplomats complain that few international airlines ever fly to the Turkish capital. They blame THY for the withdrawal of a very popular Swissair link between Ankara and western Europe.

Domestic flights are invariably full and unless one books early it is often difficult to get a seat. This partly reflects, according to Mr Dalgic, the poor road network in Turkey. Roads are bumpy and ill-repaired so most people travel by air. For this reason prices are kept low. It costs £30 to fly to Istanbul from Ankara—a 40 minute flight.

This compares with £20 for a first class sleeper on the overnight train to Istanbul from Ankara. By the time you have drunk raki and had a good meal of borek, chicken chasseur and stuffed aubergines, you probably will get little change out of £30. The train journey takes 12 hours because it has to keep stopping, and pulling into sidings to let other trains pass.

Meanwhile, the airline is planning to introduce its own first-class service.

Turkish Airlines has promised a good look at its domestic timetable, not least in preparation for the expected privatisation of the airline. It will be the international operations, however, which will come under the closest scrutiny.

Dr Namik Kemal Kilic, the head of the Foreign Investment Department of the State Planning Organisation, feels that ideally Turkish Airlines should link up with some other international carrier to get the maximum benefits from the available traffic.

He feels that there are three growing sources of customers: Middle East travellers to Turkey, both for business and holidays, Turkish workers in Western Europe and the Middle East and the growing tourism trade.

Last year Turkey had only 2m tourists. There are some flights into tourist areas such as Antalya, Dalaman and Izmir, but not enough, and in advance of privatisation for which no date has been set a closer look will be needed at scheduling.

Stewart Daeb

Tougher times as import controls ease

THINGS ARE looking up in Turkey's motor industry, once regarded as a kind of white elephant produced by the excessive protectionism of the 1960s and 1970s. Sales are up and several major investments, notably in diesel engine production are well under way. Two new types of passenger car are expected to appear on the market within the next six months.

But in the short term, the industry, especially the passenger car sector, is feeling the chilly breeze of competition. "We are fighting a tooth and claw battle with the importers" says Mr Can Goknil of Oyak Renault. "It is an all out struggle. We shall see who wins."

The easing of import controls is a typical feature of Mr Ozal's economic policies, designed to ginger up local producers and spur them to match international quality standards. The competition is not unfettered. There is a surcharge of between 50 and 100 per cent on most imported vehicles, making them considerably more expensive than Turkish produced ones. Even so they find ready buyers.

Jetta and Audi diesel motors have found many purchasers in the big cities. Diesel engines mean—at least for the time being—much reduced costs per kilometre for the driver, even if they also imply difficulties in running the car during the coldest months of the Anatolian winter.

In historical terms, imports are so far running at relatively low levels. In 1984 Turkey imported 8,849 passenger cars at $36m; 791 trucks at $47m; and 2,500 tractors for $36m. These figures are well below those which generally prevailed right up until 1980 (in 1976 for example Turkey imported 19,000 cars).

As a result, Mr Ahmet Binbir, president of the Turkish Automobile Industry Association, claims that the industry has not been really hurt so far. But the worries for the future are undoubtedly there. "We are scared of the Japanese," says Mr Binbir, "not of the other producers.

Currently most of Turkey's 22 motor industry businesses are operating close to capacity, with a few exceptions such as TOE, a partially state-owned enterprise which in March this year managed to produce only 13 tractors, 40 trucks, 4 large trucks and 1 lorry.

Otosan, of which Mr Binbir is vice-president, has stopped making the Anadol—Turkey's first passenger car and is in the process of moving up-market and manufacturing Cortinas. The first of this new Turkish passenger car model is expected to roll off the production line in mid-September.

Motor Industry

DAVID BARCHARD

A month earlier, Renault will have begun deliveries of its new model, the Renault 9.

"Demand for local passenger cars is still very high," says Mr Binbir. "Only about 150 vehicles are ever carried over from one month to the next."

Because of the high cost of money, Turkish motor businesses are faced with something of a dilemma when planning for the future. Unit costs continue to escalate because of the cost of finance and imported inputs. "But anyone who doesn't make investments for the future now," says Mr Binbir, "risks losing the market. So you have to press on. But if you invest, then you lose money."

Some sectors are being hit for other reasons. Last year was a difficult year for Otomarsan, the makers of 0302 Mercedes buses in Turkey. Though production has been relatively low—about 1,500, expected soon to rise to 2,000 in a capacity increase— Otomarsan has been one of the star performers in the Turkish motor industry, often finding its domestic orders competing with strong demand from foreign markets.

In 1984, however, its exports slackened, and in the first quarter of this year, they slumped from 123 in the same period of 1984 to only 28. Otomarsan are working on a major new investment in Aksary in central Turkey where trucks and buses and light diesel engines will be manufactured in a complete package deal, thrashed out by Mr Ozal three years ago in an attempt to set an irrational investment, inherited from 1977, on a sound basis.

Turkey has several engine manufacturers at the moment, led by BMC of Izmir, but including MAN (with plants at Ankara and Konya) as well as Otosan and Tofas. Local content is around 65 to 70 per cent. Diesel pumps are still mostly imported for the engines, though Bosche and CAV are at work trying to produce them in Turkey.

BMC, which two years back switched to production of Volvo engines and trucks, has been somewhat unhappy about another Government proposal— that diesel engines be imported from Japan into Turkey to enable taxi drivers to convert their cars to diesel if they wish. The feeling is that local producers could and should have been allowed to participate in the conversions.

The revival in passenger cars sales has been under way since 1983 and is probably in part a response by consumers to the upturn in inflation which began that year. Many Anatolian buyers have to borrow heavily at around 6 per cent a month to buy a car.

Mr Binbir and the manufacturers would like to see loan companies emerging to help finance purchases. They believe that sales would then double. However, since such a step would probably give a mild boost to inflation, the Government has not so far proved sympathetic.

In the longer run, the industry continues to hope for large-scale foreign investment which would enable the major producers to switch production to levels at which the industry would cease to be a "fledgling venture" and might be a serious competitor on international markets. That still seems some way off, even though a few exports are being made.

PROFILE: NUH KUSCULU

On the offensive for exports

Mr Nuh Kusculu, president of the Istanbul Chamber of Commerce

NUH KUSCULU has been president of the powerful Istanbul Chamber of Commerce since 1979. The Chamber is 103-years-old, and as its president puts it "very cosmopolitan" with more than 100,000 members active in 80 different sectors, but mostly oriented towards export markets.

The name "Commerce" is slightly deceptive. The chamber includes a fair sprinkling of industrialists as well as traders.

Mr Kusculu took over the job at a time when Turkey's economic life was virtually paralysed by the crisis of the late 1970s in the country. Since then he has seen steady recovery and his members going on to the offensive for new export markets.

In the Turkish business world, he is seen as a staunch supporter of the Ozal reforms—several other key positions are occupied by critics of the Prime Minister, including the national presidency of the Union of Chambers of Commerce and Industry. Mr Kusculu admits to having worked hard after the 1980 military take-over to persuade Turkey's new rulers that Mr Ozal's reforms had to continue.

However he continues to press the Government to go further. "We need proper export finance services and export insurance," he says, "and interest rates should be determined by market forces, not by the central bank."

He is also an advocate of a shake-up in the Turkish banking system "The banking law isn't fully adequate yet." He says. "The system should be more fully under the control of the central bank and the banks should not have investments outside their portfolio holdings, and their shares should circulate in the market."

Mr Kusculu was born in Kayseri—whose merchants are traditionally renowned for their shrewdness—in 1932. His father had a small glass dealing business and Mr Kusculu was educated at the local commercial college. Subsequently he went on to study in Glasgow, and eventually went into the family glass business.

Within a few years, he realised that he was handling 45 per cent of the Turkish glass business and decided that the time had come to lobby other dealers to go into production against the giant Turkiye Is Bankasi which controlled most glass manufacture in Turkey.

"I was like Don Quixote attacking the windmill," he recalls and then smiles, "but I succeeded."

By 1969 preparations for a new enterprise called Anadolu Cam Sanayii were under way and production started in 1973. Mr Kusculu mobilised Turkish and international partners for the venture, including a 10 per cent stake from the IFC.

Within a few years, the plant was exporting $30m a year of glass and bottles. Mr Kusculu, however, did not rest on his laurels but went on to join Nasas, an Istanbul-based aluminium manufacturing concern belonging to the Anadolu Endustri holding group.

In 1978 he became vice-president of the Istanbul Chamber of Commerce and the following year, president. Since then, he has spent 95 per cent of his time working for the chamber.

A mild-mannered man who argues fluently and in detail, Mr Kusculu passionately believes in the idea of Turkish full membership of the European Community.

He thinks that Turkey should have lodged a pre-emptive application in 1978 "but instead the Ecevit Government decided to freeze relations because they said the EEC was not giving enough aid."

Pressed about Turkey's commitment to Europe, Mr Kusculu says simply "Turkey is sacrificing a lot for the safety of Europe. Why should we be keeping 800,000 men under arms?" In the short term however, he thinks Turkey's major priority is to invest in new areas for export markets, though he admits that the investment climate is still difficult.

David Barchard

PROFILE: SÂHAP KOCATOPCU

Champion of finance for industry

Mr Sahap Kocatopcu, president of Tusiad, the Istanbul-based Association of Businessman and Industrialists

IT'S HARD to believe that Mr Sahap Kocatopcu, president of Tusiad—the influential Istanbul-based Association of Businessmen and Industrialists—is due to celebrate his 70th birthday this year. Noted by the Turkish Press for his immaculate suits and raffish bow ties, Mr Kocatopcu has the energy and enthusiasm of a man several decades his junior.

He was elected president of Tusiad six months ago with the backing of several of Turkey's largest holding groups, including the Koc Group. Feelings were running high at the time with supporters and critics of the Ozal Government's policies divided into opposing camps. Mr Kocatopcu was brought in as a moderate among the critics.

He himself denies being a critic of Mr Ozal and says that in principle he accepts the need for what the Government is doing. "The change from a protected industry to an exporting one is a great challenge" he says. "We want at Tusiad to assist this development, but it requires sacrifices from all the parties concerned."

He believes that the liberalisation process should be gradual and "very careful." He would like priority to be given to bringing budget spending under control

At Tusiad, he has been revising the organisation's internal running while trying to promote more dialogue both with the Government and with the Union of Chambers of Industry and Commerce—a body which tends to speak for Turkey's numerous smaller businessmen and which in the past has sometimes been a silent adversary of Istanbul big business.

Mr Kocatopcu plans to ensure that his job is limited to a three-year tenure period for himself and his successors

Born in Istanbul in 1915, Mr Kocatopcu attended Turkey's equivalent of Eton—the French-speaking Lycee of Galatasaray in Istanbul, before going on to study in Belgium and later in the U.S. at the Massachusetts Institute of Technology, where he took a Ph.D.

Returning to Turkey, he joined the state textiles concern, Sumerbank and worked in the Cement Corporation, before going on to head the Turkish Glassworks Corporation.

It took the offer of Russian technology in the 1950s to unlock a series of agreements with western countries. By 1984 the Turkish Glassworks was active in all fields of glassmaking and its exports had reached $130m.

Long experience in the state sector has given Mr Kocatopcu clear views about how Turkey should proceed with privatisation.

Twice named as Minister of Industry (by the military governments of 1960 and 1980), Mr Kocatopcu's earliest achievement was to help set up the Confederation of Turkish Employers, TISK.

Both spells as minister ended in disagreement—in 1961 with the maverick Islamic politician and advocate of state industrialisation, Necmettin Erbakan who wanted to set up a motor car industry in Turkey without foreign investment.

"I went back to a number of board memberships," says Mr Kocatopcu, "but I preferred to be as free as possible for my garden."

Now his chief concern is securing adequate finance for industry. "Profitable firms are going bankrupt because they can't find running capital," he says. He estimates the volume of industry's bad debts to the banks at anything between TL 400bn and TL 1,000bn ($755m to $1,885m).

He thinks there are extenuating circumstances for some firms—a retrospective change in exchange rate risk rules in 1978 and the effects of politically-motivated unionism before the coup. Under strict supervision—Tusiad has recently published it's "10 Commandments" for state aid to industry — he thinks there is a case for limited government help.

D.B.

Nearer a Middle East supermarket

Agriculture
STEPHANIE GRAY

THE SIGHT of dozens of women hauling huge loads of fuel along Black Sea coast roads is enough to upset even the mildest feminist. Especially given that the entire male population appears to be concentrated around card tables in village tea shops.

Not only do women do most of the carrying. On the Black Sea, as everywhere else in Turkey, they make up the vast majority of farm workers, who account for half the country's working population.

Armed with the most elementary of tools, they make a massive contribution to agricultural output—some 25 per cent of Turkish exports. The figure is much higher when processed food is taken into account. However, official statistics do not separate this production from overall industrial output.

If mechanisation has been slow to come to Turkish agriculture, so has privatisation—long a goal of several governments—of parts of the state monopolies that dominate the sector.

It is in the tea and tobacco industries, though, that progress has been made. Permission was granted earlier this year for competition with the 45 plants on the Black Sea which are run by the Turkish Tea Board.

The state enterprise pays about 3,000 small holders no more than TL 101 a kilogram and sells the highest quality leaf for TL 2,500. Thus the potential for competition is considerable. Prospects are particularly enticing because of the huge growth in domestic tea consumption.

According to Mr Hamit Vanli, director of the Tea Research Institute in Rize, Turkey has experienced a similar phenomenon to that in India where the domestic market has left little surplus for export. The industry, he says, has had trouble keeping up with demand.

Ten years ago, production was 30,000 tons. Last year it reached 111,000 tons, only 500 of them for export.

The potential in tea production has already brought in two private Turkish companies which are building factories. The British multinational, Unilever, is also said to be very interested and has sent a team in to evaluate prospects.

The problem of extricating the tobacco industry, and its total 3m employees, from the grip of the unwieldy state monopoly, Tekel, is more difficult, though it has, since last year, been exposed to competition from foreign cigarette brands.

Subsidised producer prices, and the fact that Tekel has always been obliged to buy the entire crop, regardless of quality, have led to cultivation of poor leaf which should have been replaced some time ago.

Dealers complain of improper use of fertilisers and irrigation, which increase yields at the cost of quality. Government officials regularly burn crops in front of farmers to try to convince them of their false economies.

Given these constraints and the fact that Tekel must by law maintain job numbers at its factories, it is unlikely that any private company would want to take over one of the plants, especially as some of them are very old. Tekel is building four new factories, which could be sold to the private sector and Rothmans, the big tobacco multinational, will, probably, ultimately want to buy or lease one of them.

The company has set up an experimental plant in the underdeveloped east of the country to grow Virginia tobacco and to make cigarettes from the locally grown oriental variety for export.

Eastern Turkey is also where efforts to increase livestock production are concentrated. Farmers have been persuaded to breed cattle and sheep rather than the traditional goats—first because goats were causing considerable erosion and second for meat exports to Iran and Iraq just over the border.

The exports are an important source of foreign exchange but government revenues have not increased at the rate expected mainly because of the smuggling of large numbers of sheep and goats across the eastern frontiers appears impossible to eliminate.

Schemes designed to train farmers in animal husbandry, especially dairying, have had mixed results. First there is the problem of shelter and feed for five months a year through the freezing winters. Second, according to foreign advisers, the Government has failed to supply the sort of technical back-up necessary to ensure long-term success.

The inadequacy of the support system has not gone unrecognised at the Ministry of Agriculture. Mr Husnu Dogan, the Ozal lieutenant whose appointment as minister signalled a higher priority for the long-neglected industry, believes that a lack of co-ordination between various units within the ministry has been largely to blame for the poor results.

Apart from the State Economic Enterprises involved in agriculture, the ministry operated through 11 Ankara-based units that were organised separately throughout the country. The bureaucracy has now been whittled down to five general directorates.

The changes are only just beginning to make themselves felt at provincial level and are causing some concern and uncertainty among farmers. Advisers in the field, however, believe the rationalisation of the services has been soundly based and will result in significant benefits before the end of the year.

In the cities, embassies and foreign businessmen interested in agribusiness investments are already reporting much swifter and more efficient lines of communication with officials who have the power to take decisions.

The streamlining of the ministry should result in a much higher degree of interest from both Turkish and foreign private enterprise in the country's vast food processing potential, which, despite much promotion, has been much slower moving than it should have been.

Mr Dogan is not unduly perturbed by the disappointing results. He sees them as a logical consequence of Turkey's loss of credibility during the financial crises and political upheavals of the 1970s.

"If the outside world becomes dissatisfied with a country, it is not an easy process to convince foreigners to come in again. Foreign investment on any significant scale will take years to achieve," he says.

"I believe they're going to come round. They'll see the profits that can be gained from the regional and local markets. We're open to everything and we have a large population."

Turkey grows every crop imaginable except coffee. It is among the 10 countries in the world that is able to feed itself. Indeed good surpluses are so great that a great deal of the production goes to waste. According to one diplomat in Ankara, almost 80 per cent of the output goes to waste.

The country is in great need of cold store facilities, quality control measures, sorting equipment, canning and other processing plants and marketing expertise.

Its need will be even greater when the giant Ataturk dam on the Euphrates is completed somewhere around the end of the decade. The dam is being built with the prime object of irrigating the desolate Urfa plain in the south-west and the predictions are that it will double agricultural production.

If the forecasters are correct and if the relevant infrastructure is in place, Turkey may finally be on its way towards its aim of being the Middle East's supermarket.

Writers draw on the social scene

MODERNITY and tradition have been at war in Turkish society since the 1920s. Can the country learn to blend its Ottoman and Islamic heritage with its need to catch up with the West? How are intellectuals, universities and women reacting to the changes of the 1980s in Turkey'?

ON THE surface, Orhan Pamuk and Latife Tekin, two of Turkey's leading young novelists, appear to have little in common. They come from opposite ends of the social scale — members of classes which, until relatively recently, can have been only dimly eware of the circumstances of the other.

Mr Pamuk, an introverted intellectual, comes from a wealthy Istanbul *family*. *His* grandfather made a fortune during Ismet Inonu's great railway expansion programme in the 1930s. He now lives in a book-lined eyrie on the top floor of the modest family-owned *building in the middle of the* city.

The 33-year-old writer draws on his knowledge of the higher echelons of soclaty for his novals. He is reluctant to talk about his plots, but the first, *Cevdet Bey and his Sons*, contains much detail from *own* experience. It concerns the fluctuating business fortunes of a powerful family which assumes western habits as it embraces capitalism. He tries to show whet be sees as the weakness of Turkish Islamic traditions in the face of Western capitalist *influence*.

Of Turkey's contradictions, he says people "know that they're imitating something but they've forgotten what it is."

His second novel, which translates as The Silent House, takea another angle on the east-west dilemma. It is about an intellectual who spends 40 years writing an encyclopeedia which tries to impose Islamic explanations on western concepts.

Many of his friends, he says, have to earn their living by writing—or rewriting—encyclopeedias. Before vidaos became fashionable, he explains, upper class parents, who were "not very interested in reading themselves" were anxious that their children should be able to do so. *Expensive encylopaedias* represented an expedient one-stop shop of knowledge.

Pamuk's has shifted from the treditional ground of Turkish novels. The history of the novel in the country goes back only abont 100 years. There is no such *thing*, for example, as a Turkish detective story.

Latife Tekin, by contrast, has dwelt on *village* life *and* although not in the mould of the "village writer" she uses rural anacdotes end mamories in her hooks. She la the 27-year-old daughtar of a family which moved to the slums of Istanbul *from a town in central Anatolie* wben she was nine.

A relaxed person, she lives with her *seven-year-old son* In a squat apartment huilding, back from the coast roed along tha Bosphorus.

She admits that her first book very hroadly equates with her own experience. Called in English, Death Impudent Death, it tells the story of a migrant family. The fether is a steam-fitter who made some money on construction jobs in Kayseri and seeks similar work in Isetanbul. *His pride would not* allow him to take lesser construction jobs in the city and, having been unemployed *for* some time, he gives up entirely and takes solace in Islam.

He tries to transpose the feudal authority be held in the country to the family's new straitened circumstances and loses its respect.

The *teenage sons, also* unemployed, spend all their time hanging about on the streets of the *gecekondus*—it means literally set-up overnight—or slums where they fall into a life of crime and violence and come under the *influence of the gangs* of political extremists who indulged in terror campaigns in the late 1970s.

The political unrest which lasted for 10 years in Turkey is fertile ground for many *novelists. But Miss Tekin* was the first to concern herself with the waves of immigration from Anatolia to the coastal towns.

Her second book is a sociological study of the gecekondu districts. Make-shift dwellings *there were regularly* demolished during the troubles by the military or the police, though Miss Tekin *is careful* not to be too explicit ehont this. One "house" she knows of was demolished and rebuilt 38 times.

Full of black humour, the book, which translates, inadeqnately as *Prostitute Kristin* and tha Hill of Ruhbish, examines the role of women in protecting their homes from the bulldozers.

The writer's third book will deal more directly with political *events between 1975* and 1980 which resulted in the laat military coup.

From their different backgrounds and standpoints both young novelists thus are deeling with the conflicts and contradictions of their country, although Mr Pamuk would prefer to write novels for their *own sake* rather than as social interpretations.

Neither of them is particularly optimistic about Turkey's immediate future. Miss Tekin says she atill experiences fear, despite the vastly more relaxed social conditons. Still, both edmit that the conflicts, past and present, are ideal material for contemporary writers.

Stephanie Gray

Image starts to change rapidly

Women
BERNA UGURLU

WALK ALONG the main street of any large Turkish city and you will be struck by the variety *of types of women* thet you see—village women in traditional veil and costume and girls in slacks who would not look out of place in any Western fashion house.

Differences among Turkey's women are more pronounced than those among its men and this is part of the country'a *rapidly changing image*.

Women's rights in Turkey go hack to legislation introduced by the country's first president, Kemal Ataturk, in the 1920s. Ataturk believed that "Our women should be more hroad-minded, more efficient, and aa well-educated as men are if they really want to be the *mothers of* the nation."

In 1924 he introduced co-education, and in 1934 amended the Constitution to give women the right to vote. In the mean-time, the Civil Code of 1926 had widened women's civil rights.

All this was a reaction to the part which women had played in the Turkish War of Independence and was seen as the chance to give women the right to partake in the benefits of the society that they too had fought and died for.

Since then, however, it has been much harder to get long-standing social practices to change.

Turkish women are still reluctant to leave their children with strangers. Though—for economic reasons—many wives go out to work in hig cities, 66 per cent of female civil servants entrust their young children to relatives (usually a mother-in-law). Creches remain an upper middle class preserve.

Six million working women make up the hackbone of Turkish agriculture—but it is *precisely in the countryside* that ideas of women's place in society are slowest to change. Women are still expected to devote themselves to heavy housework, menial chores, and childbearing while acting as an unpaid worker in the fields.

Still the Turkish Parliament now has e core of dedicated women members who are working to get the legal situation of women workers brightened. Turkan Arikan of the Motherland Party and Mrs Rezzan Sahinkaya are preparing a Bill which will allow pregnant women additional benefits and guarantee them better conditions. They say existing legislation leaves scope for improvement.

More generally, women in Turkish society seem to be trapped between their own modern ideas and the norms of a traditional world which has largely vanished, but still lingers in the minds of some men. However, in town and country, progress seems to be *steadily continuing for women* in spite of all these handicaps.

Different ways of saying freedom

Language
DAVID BARCHARD

WHEN TURKEY'S soldiers etepped into the political arena in 1984, the Turkish language itself was one of the hattlegrounds in which they had to sort out a quarrel.

Educated Turks can pick out within a few seconds of talking to someone, his cultural and *political* preferences. *It is a* question of whether you use new words or old words for virtually all abstract nouns. Traditionalists prefer words with Arahic or Persian roots. Anti-traditionaliats and the Left use words rediscovered or invented from pure Türkish roots.

For most of *this* century, the anti-traditionalists bave been on their offensive. Almost all Turks *would* agree thet there were originally good reasons for wanting a change. A hundred years ago, educated Turks spoke and wrote what it today called "Ottoman"—a form of Turkish steeped in Persian end Arahic *literary* conventions and drawing on the entire grammar and vocabulary of all threa languages. It was e hyhrid language that was *literally* unintelligible to uneducated people.

If e Turk of 100 years ago were, like Rip Van Winkle, to wake up today, ha would not only find that Turkey's script has changed (Latin letters *replaced Arahic ones in 1928* on the orders of Ataturk), he would be unahle to understand the everyday words for the point of the compass, virtually all scientific terms, and even the words for "question" and "answer."

The change — which has of course many parallels in other late modernising countries which have experienced a revolution — came in three phases. Before Ataturk, intellectuals discussed the problems of the language and attempted to *simplify* it. *In the 1930s*, Ataturk set up the Turkish Language Academy which worked for the next 50 years coining new words for old.

Finally, in the 1960s and 1970s a new middle class emerged, with pronounced centre-left instincts and a distaste for the traditional expression. The pace of change was giddying.

Turks who spent half a decade *abroad would return* to find words in daily usage end the newspapers which they had not known existed when they left. So forceful was the speed with which the new forms were adopted, that one foreign authority on the Turkish language bas poked fun at linguistic conservatives in Turkey for *denouncing* the *changes* with the very neologisms they were supposed to be condemning.

Those who *were unhappy* et tha process tend to make the basic point that the new words cut young Turks off from their cultural heritage and offer them an unhistorical "Newspeak" in exchange.

Strikingly, professions with a sense of tradition (including both the military and lawyers) have *stuck* to the old words. Future-oriented ones — for instance edvertising—generally prefer the new terms.

The dispute isn't just cultural. It is also political. The centre-right daily Tercumen *uses a different vocabulary* from thet of its left-wing rival Cumhuriyat. During the political turmoil of the 1970s, Mr Demirel used a different word for "freedom" from thet of Mr Bulent Ecevit. Could this be part of the reason for the two men's fatal Inability to disagree?

Since 1980, however, Turkey bas been searching for a synthesis. Cumhuriyet's penchant for neologisms has dropped markedly. Other newspapers have followed suit. One reason may be that the new *words are hroadly identifiable* with the left which is in deep eclipse in Turkey at the moment.

Many Turks favour a policy of "live and let live", letting daily life and time sort out the question of which of the old and new forms are likely to remain in use. But cultural skirmishing *continues—suggesting* that the left-right feuds which are mirrored in the language could re-erupt.

Under the military, the Government took a fairly cautious line, trying not to offend the sensibilities of either side. Last January, bowever, the controversy broke out again when the head of the State Radio and Television banned 200 neologisms, most of them fairly widely used, from the air.

Since then Turkish civil servants heve had to mull over which words to use for "international", "possibility" and "unusual" if they don't want to offend the senaibilities of their superiors and colleagues.

Arguments about academic freedom

Universities

STEWART DALBY

WHETHER THE law of November 6 1981, reforming Turkey's universities has resulted in a better, freer system more closely geared to the country's manpower and employment needs must be a qualitative judgment depending on whose point of view is accepted.

To the redoubtable Professor Ihsan Dogramaci, the president of the council for higher education, there was simply no alternative to the reform. In this context, reform means changing the system of election of rectors, and professors and changing the rules of political affiliation.

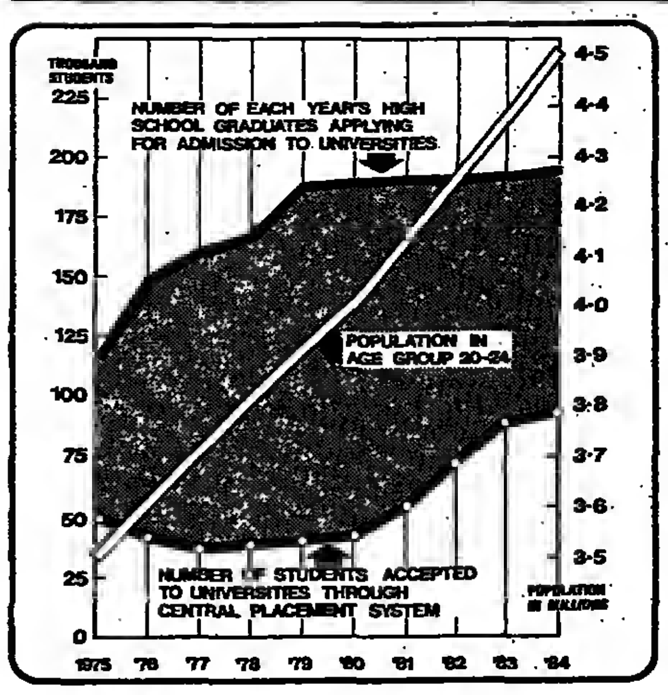
A pamphlet published earlier this year, called, The Higher Education Reform in Turkey, Results after Three Years, states, "It is hardly necessary to recall the events which shook Turkey during the 1970s. . . . Universities became highly politicised microcosms of the unrest in the country as a whole: university students and, not infrequently, teaching staff members, sided with the various factions. Campuses became armed camps and in some cases training grounds for guerrilla fighters . . . with the police having to intervene because of university autonomy."

According to Prof Dogramaci, the central problem was that autonomy meant university rectors and the faculty deans were elected for set terms by the teaching staff. There was no government appointee like the Kuratel in some Swiss universities or the Kanzler as in certain other European universities, nor was there any outside governing body such as the court of university of the grants committee as in the British system or board of governors, trustees or regents as in American universities.

Elections to rectorships on many occasions became politicised and could take weeks of continuous ballotting. Moreover, the universities tended to become closed shops. It was difficult for the younger generation to break into the system.

It was necessary to wait for four years after receiving a doctorate before being elegible to enter a series of examinations, taking a minimum of nine months leading to the "docentship" or lectureship certificate. For those already within the system, however, promotion became virtually automatic, as did tenure. There was very little co-ordination between universities, Prof Dogramaci claims.

Ankara University, one of Turkey's largest, with its striking sculptural symbol of grasping for knowledge



With this kind of set up although the number of applicants for university rose from roughly 115,000 to 190,000 between 1975 and 1980 admissions dropped from roughly 50,000 to 42,000, even though the number of universities had increased from eight to 18 during the years 1967 to 1975.

Under the reforms of 1981 the Council of Higher Education was established which, it is claimed, acts like a national board of governors in other countries. The council has 25 full-time members. Eight are professors elected by the inter-university board. Eight are selected by the government from among high-ranking civil servants, who, if they are not retired at the time must then resign their posts and become full-time members of the council. Eight professors are selected by the Head of State, preferably from among university rectors and former rectors.

One member is selected by the General Staff of the Armed Forces since there are also military institutions of higher education notably the military Faculty of medicine.

The functions of the YOK, as the council is known, are to prepare long and short-term plans for coordination, fix a balanced ratio of posts for professors and other teachers and to recommend to the government what state subsidies should be. Another function is four candidates for each vacant post of rector. The deans are appointed by the council from among professors proposed by the rector.

As for professors and lecturers, the council has to approve appointments put up by the university.

Professor Dogramaci claims that this framework ensures a fairer system, which safeguards academic freedom and autonomy, while gearing the universities more closely to the country's needs.

In some respects many observers would not disagree that the system now works better. It is in the key area of appointment of professors that the council has come in for harsh criticism, not only among homegrown academics but internationally.

One well-known professor who wishes to remain anonymous was dismissed from his post teaching liberal arts subjects in 1983. He said that he thought 200 professors had been dismissed on the orders of the military. Some 327 had been dismissed by the YÖK, and 861 had resigned.

He claimed that, while he continued teaching, he was told not to use certain books. He felt that some courses in the political sciences had been curtailed. He admitted that all jobs were now advertised but said there was a careful vetting of candidates by the YÖK.

Professor Dogramaci's response to these claims is a variant on the wider theme pervading most areas of Turkish life. Namely that there was virtual anarchy in the 1970s, and you cannot move straight to fully democratic rules from a situation like that. He says there was, of course some cost to pay in terms of repairing an inadequate education system.

He denies, however, that the council appoints professors. They are appointed by the universities. He says that after the declaration of martial law in September 1980, some 88 members of university teaching staff in Turkey were sent into early retirement. Some of these have since been offered their jobs back.

There has been a number of resignations. This, he says, was because professors in some subjects such as law declined to go to the provinces on a rota or drawing of lots basis. He says that in 1981 there were 3,156 professors in the seven universities in the larger cities and only 85 professors and associate professors in the nine universities outside the large cities.

Whatever the arguments about academic freedom, there is no question that the system has been expanded considerably since 1981. There are now 27 universities, including two technical universities. In 1984 there were 92,545 university entrants, more than double the 1980 number, with some 360,000 students in full-time further education. It is estimated that some 7 per cent of those eligible in the 19- to 24-year-old age group are receiving tuition.

This is still way below levels in some Western countries. But it is hoped that the percentage will be increased to 12 per cent by the end of the current five year plan in 1989.

Critics point out that there has not been a comparable increase in investment—students are crammed into the same buildings — and that some of the new universities are simply re-designated teachers' training colleges. They — and some foreign experts — also allege that standards have fallen.

As for gearing education to the country's needs, the YOK was told by the State Planning Organisation that an average of 5,000 physicians should graduate annually in order to meet the needs of the population. The number of medical schools has been doubled to 14 in recent years and the intake last year went up to 5,623 compared with 2,400 three years ago.

The council says that perhaps 60 per cent of courses in the universities are liberal arts/social sciences but this is changing. Studies are being carried out to discover how many electrical and mechanical engineers will be needed.

In the meantime, Prof Dogramaci says that the country will be able to use all the engineers it can produce. There are a number of two year courses in what in Britain would be called technical colleges or vocational schools, and it is now possible to take courses in computer sciences in five university faculties.

PROFILE; IHSAN DOGRAMACI

Set to preside over university reform for rest of decade

TWO YEARS ago, Professor Ihsan Dogramaci was given a place in Turkish official protocol which gives him precedence over Cabinet Ministers on many public occasions. It was a tribute to a man who both his friends and enemies would agree is one of the most powerful personalities in Turkey today and who has remodelled the Turkish university system along completely new lines since 1980.

There are those, including possibly the professor himself, who regard him as a possible candidate for the presidency—almost the only civilian name to be mentioned in this context in Turkey.

Prof Dogramaci is a powerful presence who musters his arguments so fluently that it is hard to get a question or comment in edgeways. Apart from his present role as Chairman of the Higher Education Board (YOK), which he conceived and pushed through after the 1980 military coup, he has also set up an International Paediatrics Centre in Ankara as well as Hacettepe University, one of Turkey's foremost academic centres.

He was born outside the frontiers of modern Turkey in Kerkuk in 1915 and comes from a wealthy landowning background. He was given an international education — Lycee in Beirut was followed by Medicine in Istanbul, and then work in paediatrics in three American Universities.

He became dean of medicine at the newly founded Hacettepe and rector of Ankara University in 1954, when he was 39.

Since then he has been an indefatigable organisation man, bulldozing his way through bureaucratic obstacles which defy most innovators in Turkey and creating institutions usually modelled along American lines.

His curriculum vitae testifies to his credentials as an organiser for such bodies as Unicef, the World Health Organisation, and the International Association of Paediatricians. He holds honorary professorships in nine different countries, as well as the French Legion of Honour.

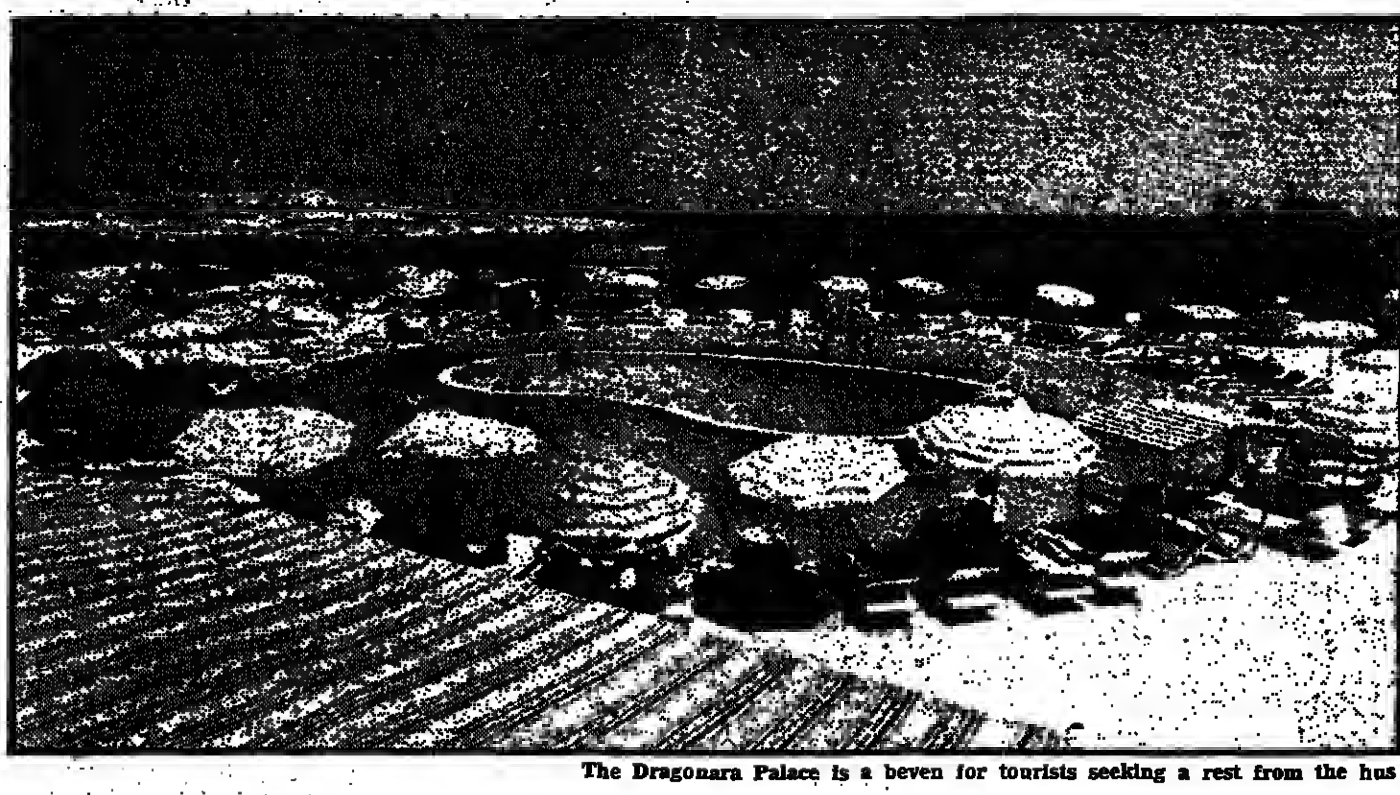
A powerful friend, he can also be a formidable enemy and has not expressed any regret for the several hundred academics who lost their jobs after his appointment in 1981, though he says most of the sackings were carried out by the military.

Critics say that in his drive to push through change, he often ignores administrative detail, thereby creating confusion or even chaos on the day-to-day level. The professor is, however, always careful to document the thinking behind his plans, trying to forestall critics.

There is no doubt that a certain personality cult has surrounded him in recent years. No other strong personalities are to be found on the YOK and some foreign vice-chancellors tell affectionately of how they have been asked, during visits to Ankara, to tour a personal museum in which photographs of Professor Dogramaci at the various highpoints of his career are distributed.

The Turkish left is fond of pointing out that he has published only one book, a sort of Turkish handbook for mothers along the lines of Dr Spock's works.

He retains the full trust of the military authorities and seems set to preside over the transformation of the universities for the rest of the decade. By the time he steps down, the changes he introduced in 1981 will probably have become irreversible, setting a stamp on future generations.



The Dragonara Palace is a beven for tourists seeking a rest from the hus de of Istanbul. Right: a view of Bodrum on the South West coast of Turkey

Failure to capitalise fully on natural delights

Tourism

STEWART DALBY

TURKEY IS e country whose tourism industry seems to be eternally promising. On the face of it the country has just about everything for the tourist.

Istanbul is a veritable treasure trove of places to visit and sheer delights for the eye. The skyline of Stamboul, the old part of the city, which was once Constantinople and is an old city indeed, is dominated by the domes of Hagia Sophia, the Blue mosque, the palace of Topkapi, and well numerous other mosques and beautiful old hnildings set into the hills on which the city is huilt.

Hegia Sophia was first dedicated in AD 360, hut then having been burnt down was rebuilt and dedicated hy the Roman Emperor, Justinian in AD 537. For a thousand years threafter it served as the city's cathedral. The Bine Mosque or the Sultan Ahmet Camii to give it its proper name is thought to be the most splendid of the imperial mosques.

It has a cascade of domes and semi domes, and six minarets accenting the corners of the courtyard. The mosque was founded by Sultan Ahmed 1 in the first part of the 17th century.

The palace of Topkapi was originally built early in the 15th century. It continues to house fabulous collections of jewellery and porcelain bnt is perhaps most famous for the harem, which was added later and reached its heyday in the reign of Suleyman the Magnificent in the 16th century. A visit to the harem, a labyrinth of rooms and chambers of intricate decoration is not to be missed even for those not especially interested in antiquities.

There is plenty to do in Istanbul besides visit mosques. It is a good city to stroll through, particularly the booksellers' market and the grand bazaar, where there are bargains to be had, particularly for kilime or Turkish rugs and even through the back streets where food and drink is cheap.

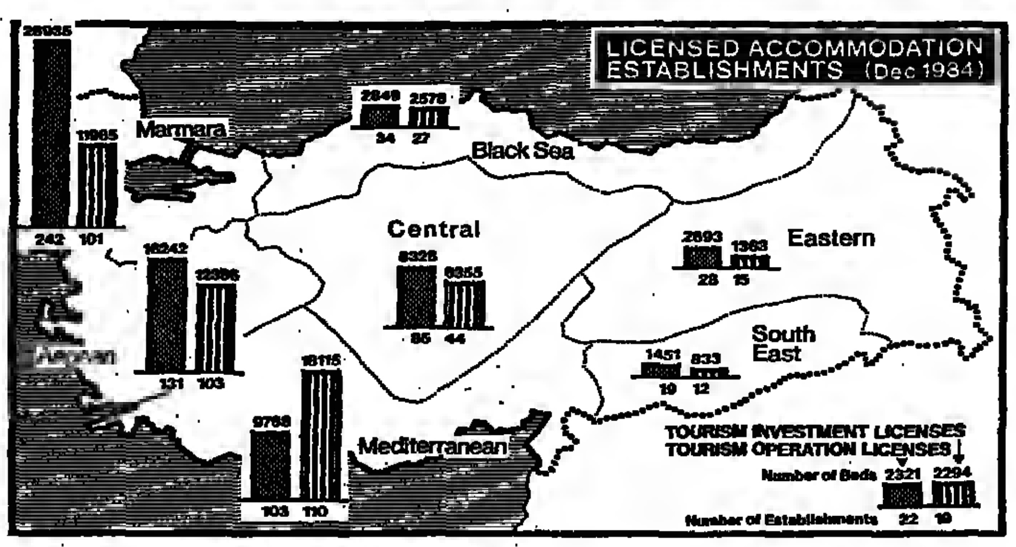
There is the Galata hridge across the Golden Horn where you can fish, watch the old men smoking ornate plpes or eat fish in the restaurants underneath the bridge virtually on the water. The Bosporus, which connects the Marmara Sea and the Black Sea, is lined with picturesque villagee with fish markets and shoreside restaurants with tahles outside and boats going hy.

It is possible to take boat rides up the Bosporus. Every two weeks the Maritime Line doea a nine-day trip np the Black Sea, visiting the ports of Trabzon and Samsun.

Outside Istanbul, the south coast stretching west and east from Antalya consists of long beaches and very clear water, against a backdrop of mountains. The Aegean coast below tha Sea of Marmara is made up of many rugged inlets. Tha Black Sea is worth a visit if only for the spectacular drive around the cornich at Ordu. However the season is short on the Black Sea and tha weather unpredictahle.

There are at least three areas where the skiing is said to be good in the months of January to March. There are thought to ha almost 50,000 sites of archaeological interest.

Some historical treasures lie in the East towards the provinces of Kars and Van. Konya, for example, stands on tha site of the city Catal Huyuk which flourished in the Middle Ages and was the centre of Selfuk power before the Turks conqnered the West coast. To the north east of Konya lies the nnderground city of Cappadocia, a vast landscape of rock caves.



For all this, tha touriste still do not visit Turkey in vast numbers although the total is slowly rising. There were 1.3m in 1982, 1.6m in 1983 and 2.1m in 1984 according to Directorate of Tourism at the Ministry of Culture and Tourism. These figures include business visitors.

Greece by comparison gets at least 6m tourists a year while Spain receives a massive 40m.

Depending on which set of figures one takes, Turkey made a net $310m from tourism in 1984. This is according to the Third Five Year Plan, 1985-89. In the State Planning Organisation'e economic indicators, net tourist receipts are put down at $271m, e fall over the $284m earned in 1983.

The confusion is due to the fact that after the easing of exchange controle Turks began to spend money abroad. The gross figure for tourist spending went up in 1984 substantially ovar the $410m registered in 1983.

However one computes the figures the earnings appear to he well helow the equivalent of 10 per cent of visible export earnings. Workers' remittances by contrast are equivalent to over one-third of visihle exports. The reasons Turkey has not taken off as a tourist country are many and varied. During the 1970s the country had such a bed image for political violence that few regular tourists wanted to visit.

The back peckers and young travellers on the so-called "hippy" trail to Afghanistan visited, but many of these were frightened off by the film Midnight Express and the view it gave of harsh prison life and tongh punishments for drug use. In any avent, tha revolution in Iran and the Soviet occupation of Afghanistan meant the effective closure of the "hippy trail."

Also the political turmoil in Turkey coincided with severe economic trouhles, particularly of e balance of payments nature, ao there were not enough funds either public or private to develop the necessary infrastructure.

Tha most severe shortage is of hotels and beds. At the end of 1984 thare were only 68,266 hotel bede in the entire country. The comparison often made by hoteliers, is that there are only 13,000 beds on the east coast, less than on the Greek island of Rhodee alone.

There are only 642 recognised hotela in the country that are establishments with tourism operation licences from the Ministry of Culture and Tourism.

The prohlem is particularly acute in Istanbul. There are only threa first class or five star hotels. The Hilton, the Sheraton and the Etap Marmara. Mr Norbert Spichtinger, the general manager of the Hilton, estimates that there are only 2,500 beds availahle in Istanbul in first class hotels.

It is virtually impossible to get what is an expensive room in the Hilton unless it is booked well in advance. During the week the hotel is full to overflowing, but there is some leeway at weekends.

In Ankara the situation is worse in that there is only one first class hotel the Buyuk Ankara. Although the capital city is not really a place for tourists, the Buyuk is always full.

There are perhaps half a dozen of what Mr Spichtinger would describe as four- or three-star hotels. The most charming of these is the Pera Palas, tha 93-year-old hotel overlooking the Golden Horn. For those interested in hotels with a feeling of departed Grandeur or local atmosphere, the Pera Palas is the place to stay. It was custom built by Thomas Cook'a for travellers on the Orient Express and is featured in one of Agatha Christie'a best-known novels.

There are any number of smaller hotels, hut in some the standards of hygiene leave something to be desired.

Tha shortage of hotels does not reflect any lack of interest by international chains. Both the Sheraton, and Trust House Forte have been trying to expand in Turkey, the former in Ankara.

But there waa until recently a terrible bureaucratic log jam to get through. There was also a ehortage of suitahle local partners with sufficient capital, and finally there was a shortage of availahle sites in a bustling and overcrowded city.

The bureaucratic procedures have been streamlined considerably. There is now "one stop" foreign investment, in that the Foreign Investment Department of the State Planning Organisation can deal with all queries. Prospective hotel owners or builders can now benefit from a range of incentives available to foreign investors.

Cheep leases on land for up to 50 years and in some cases 99 years are available. There are cash grants for some of the capital costs and there are exemptions from corporation tax in some cases for short periods and other attractions.

In Istanbul some sites have been redesignated suitable for botels, such as part of the :niversity for example. This -hould belp ease the pressure :n Istanbul. However, with the incentives and the much improved infrastructure, the resort areas should now start to grow rapidly.

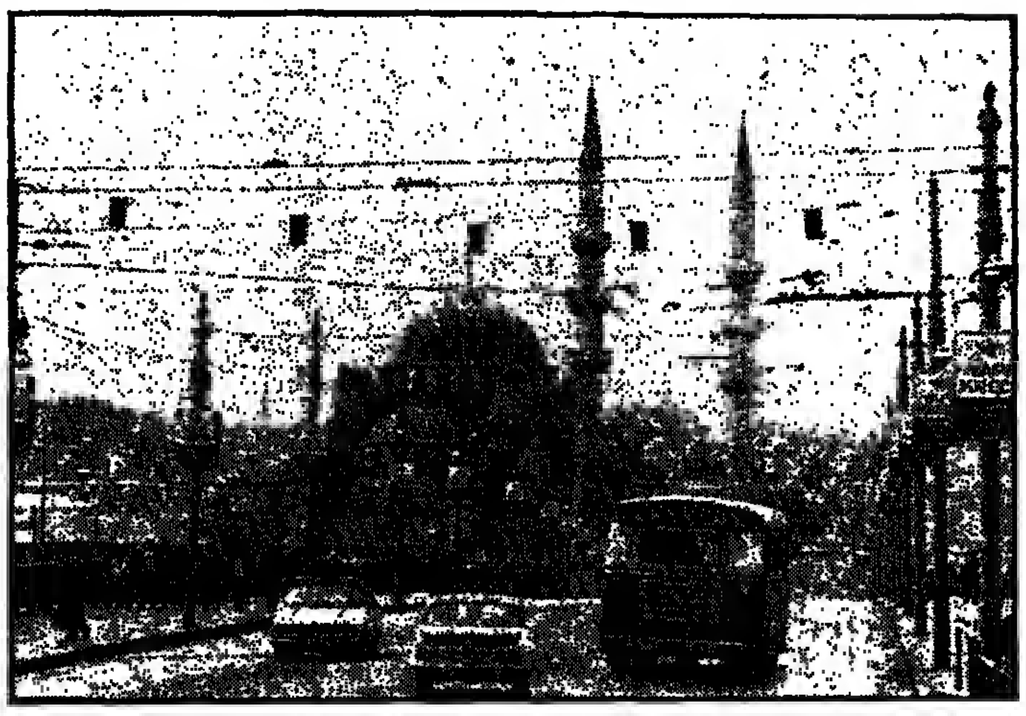
There are et least 14 foreign gronps involved in tourist development according to FID. The number of groups with investment licences is 412, and the number of beds is scheduled to rise to over 80,000 by this time next year, and over 100,000 by the end of the decade.

In three resort areas, Antalya, Marmaris and Izmir, the infrastructure has been improved considerably, roads have been huilt and there are direct telephona links. Above all, it is now possible to fly direct from Europe admittedly on Turkish airlines into Dalaman (to service The Marmaris area). Izmir (to service the higher Aegean coast) and Antalya to service the south. There are now four direct flights a week into Antalya.

Accordingly, it is around these areas that the hotels and holiday villages are springing up. There are four Club Mediterranee's ona Club Robinson functioning and another on the way. In Antalye 18,115 new beds are planned compared with a current 10,000.

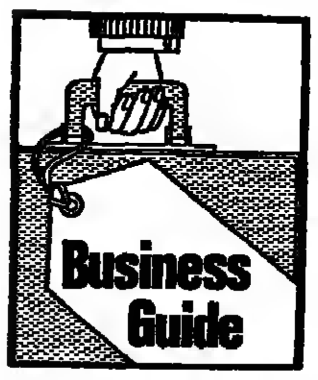
In the Marmeris area some 12,000 new heds are planned and higher up on the Aegean around 11,985 are planned. It is to these areas thet Turkey wants to attract Arab visitors. These would be the kind of tourists who used to go to Beirut and perhaps now visit Morocco. To this end, holiday complexes with marinas and casinos are being planned.

With Turkey projecting a more settled political image to the world, and the infrastructure and accommodation heing put into place, It seems likely that visitors could increase substantially, particularly once international tour operators begin to make connections.



Galata Bridge over the Golden Horn, Istanbul

Hospitable country to explore



TURKS ARE justly proud of their hospitality and a first-time foreign visitor to Turkey can be expected to be lavishly entertained by his bosts, especially if they come from the private sector. He may also find quite casual acquaintances going out of their way—and sometimes embarrassingly beyond their apparent means—to he hospitable.

But Turkey is a country which repays exploration—whether you are shopping, looking at historic monuments, or touring restaurants and drinking places. Staying alone can sometimes prove more difficult tban making friends. But Turks have certain expectations of their foreign visitor. Smart clothes and warm manners are in. Pushiness and stinginess are out.

ARRIVALS

Istanbul'a new international airport is used to foreign husiness visitors, Ankara airport much less so. Civilians wishing to meet arriving visitors are often not admitted to Ankara airport for security reasons—an inconvenience which has produced grumbles in Parliament.

Baggage pick-up, immigrations and customs clearance are reasonahly swift. It is essential that one gets an entry stamp in one's passport.

No entry stamp and it may be difficult to leave the country. Customs men are generally tolerant to foreigners but will tend to write any piece of mechanical or electrical eqnipment into a visitor's passport.

Both airports are served by taxis. There is a Turkish Airlines (THY) bus service to its terminal in a not particularly convenient location inside Ankara. Make sure the driver switches the meter on. The drive to Taksim Square costs about TL 3,000 (£4.60) and to central Ankara about TL 5,000.

When departing, remember that security checks, particularly on internal flights, are meticulous and time-consuming. However, advice from the international airlines to check in two bours early for departures from Istanbul is unnecessary.

There are fairly good duty free shops in Istanbul but credit cards are not accepted. More limited facilities are available in Ankara. Only foreign currency is accepted.

One special attraction is common to both airports. Arriving passengers can buy from the duty free shops if they are open, and customs men are extremely tolerant of a second or third bottle of spirits.

WHERE TO STAY

Both Istanbul and Ankara are short of hotel beds. Ankara still does not have a hotel up tn the highest international standards. Booking in advance is advisable in winter, essential in the summer months in hoth cities. In Istanbul, the Hilton, the Sheraton, and the Etap Marmara divide the honours in the city centre.

Those in search of old world charm, with a certain dinginess, can find it at the Pera Palas (telephone 145 22 30) or the Buyuk Londra Oteli (telephone 149 10 25). Up the Bosphorus, the small Bebek Oteli is good fnr an inexpensive stay on the shores and has an excellent restaurant. Further up the Bosphorus, the more expensive Carlton and Tarabya Hotels are also worth considering if distance is not a major consideration.

All hotel prices are expensive and in the case of the major hotels pegged to the dollar, $120 a night is typical for the larger hotels. Provincial hotels vary from the extremely cheap to the relatively expensive.

It is worth inquiring the name of the best hotel or two in any town one proposes to stay and booking in advance. If booking by telephone, remember to take the name of the clerk who makes the arrangement, in order to avold any confusion on arrival.

GETTING AROUND

Most major state enterprises and private firms have a plentiful supply of cars and drivers which they will often place at the disposal of visitors. However, taxis are plentiful. Since 1983 they have carried meters which they are obliged by law to turn on. Rates are cheap and there is no tipping.

Few drivers bave much English, however, and if you are going to an out of the way address, it might be a good idea to get a Turkish friend to equip you with a little note and diagram in Turkish to help your driver.

Public transport is best avoided by business visitors inside cities. Busea are cheap but overcrowded. The famous "dolmus" system has now evolved into a fleet of big city minibuses.

For intercity travel, if you can stand long bus journeys, there is an excellent and ultra-efficient private bus system with many companies competing for your custom. Journeys are accomplished rapidly (sometimes almost too much so) and cheaply. Train journeys are even cheaper, hut not recommended, with one exception—the Anadolu Express which runs each night at 9.40 pm from Ankara and Istanbul to arrive at the other city at about 8.45 in the morning.

A first class sleeper costs TL 11,800 and many longtime foreign residents in Turkey become addicted to the service. A glass nr two nf raki in the dining car will round off the evening. Passengers are attended by a "konduktor" who will hring water, light drinks, and even dinner or breakfast to you in your compartment if you so wish. Ha receives a statutory tip of TL 250 at the end of the journey. Compartments can become overheated during the night—keeping the window a finger's width npen is advised in all seasons.

Flying is cheap but except for the Ankara-Istanbul route, schedules are often extremely inconvenient, especially from Ankara. There are fairly good services daily from Ankara to the major cities in the East (Erzerum, Van, and Diyarbakir) which would take about a day's solid driving to reach by surface.

Car rental is expensive, but the major international firms are all represented and increasingly have provincial branches in major cities nutside Ankara and Istanbul.

Intercity high roads can be, all things considered, quite good. Bnt the arterial route running from Ankara to Istanbul is congested and e little dangerous. On other routes, it is worth asking in advance what road conditions are like. Road-making or mending can cause majnr delays.

SHOPPING

Carpets, alabaster, old copper, 14 carat gold jewellery, ceramics—these tend to head the list of visitors' preferences. Generally the best quality but also the highest prices are to be found in Istanbul. Ankara, whose main carpet shop at Ulus—called Sharks—claims to be the largest in the Middle East, offers the best bargains.

Those who don't want to invest in any expensive rug would be well advised to look at Cheap Charlie's, buried in the Fuar Passage in Kosova Sokak at Itfaiye, Ankara. Cheap Charlie's owner, Mr Rahmi Leblebecioglu is a maverick wholesaler who prefers to sell direct to Western customers and is very popular with diplomats and visiting Westerners. Alabaster is best bought in the Gnreme region. Meerschaum pipes at Eskisehir—but both are avaliahle all over the country. The best ceramics are to be found in Kutahya where one or twn shops now make high quality reproductions of the best Ottoman ware.

The Covered Bazaar in Istanbul sells all these things, as well as antique copper. Again, Ankara offers some of the hest bargains—try visiting Copper Alley (Salman Sokak near the Aslanhane Mosque) shops sucb as Erciyes sell good 19th century copper (it is hest to buy it unpolished, though it is e matter of taste).

The owners of Erciyes and other shops will be happy to ply you with tea or coffe and conversation, even if you have no intention of buying anything. Prices for copper plates and potes tend to be in tha TL 2,000 to TL 5,000 range even for pieces 150 years old and bearing Greek or Armenian inscriptions.

These are genuine and their exportatinn is legal. Not so with coins. If you huy a coin mnre than 80 year old you risk firstly being swindled since most are forgeries, and secondly being taken to court if detected.

Gold jewelry is ahundant in Turkey. Try Ulus nr the Kuguin Passage in Ankara and shops in Osmanbey or the Covered Bazaar in Istanbul. Quality is high and unlike England, gold chains etc tend to contain 14 carat rather than 9 carat gold.

One word of warning—customs men will, especially if you have bought a large carpet—want to see proof that ynu have bought a corresponding amount of foreign currency into the country to meet your purchases. Don't worry too much about the age of carpets. Exporting antiques is forhidden hut in practice little or nothing on offer to casual huyers counts as that. You are unlikely to be offered a piece more than 90 to 100 years old.

EATING OUT

Going out to restaurants is a national pastime in Turkey for all social classes. Even small kebah houses can offer their own delights, thought the foreigner may well find the cuisine too much based on lamh. Ankara, Istanbul, and Izmir all offer top class restaurants for the visit—in Istanbul, try Pandelli's in the Spice Market for lunch and Abdullah's or Samdan for dinner. All three are fairly expensive, though only hy Turkish standards. In Ankara, businessmen prefer RV or Yali (a pleasant place to sit out in summer) or for fish, Yakamoz.

Both Istanbul and Ankara have many fish restaurants and the fish in Ankara can be trusted even in the hight of summer, one of the city's pleasant surprise. Apart from Yakamoz, try Liman for trout or Rihtim. About 15 miles south of the town, Chez Le Belge offers a seductive combinaation of crayfish fnllowed by pepper steaks or tournedos. In Istanbul, the best fish restaurants are up thet Bosphorus and there can be few more magival experiences than sitting beside that waterway for dinner on a clear summer's evening, watching the hoats go by. Try Palet-2 at Tarahya—or Yeni Genes or the Bebek Oteli at Behek, or Antika or Kuyu at Arnavutkny.

Turks love sitting out drinking beer and eating fried mussels at cafes along the Bosphorus.

Or try the famous Cicek Pasaji (Flower Market) at Galatasaray just off Istiklal Caddesi.

Non-Turkish cuisine is hecoming more familiar. Ankara, Istanhul and Izmir now boast a chain of restaurants, usually popular with foreign residents, called China Town. Ankara and Izmir both also have Italian restaurants.

The most exotic semi-legendary foreign restaurant is undoubtedly the Yeni Rejans in Istanbul, where Russian ballerias (legend had it princesses) served Tsarist-style home cooking and their own lemon vodka for many years. The old ladies have gone, but the restaurant continues very much in the traditions they estahlished.

In summer the setting of a restaurant may he as important as the quality of the food it is offering. Almost all provincial cities have their own best known eating places—it is worth enquiring which these are as they may be tucked away upstairs in a side-street, undetectahle to new arrivals.

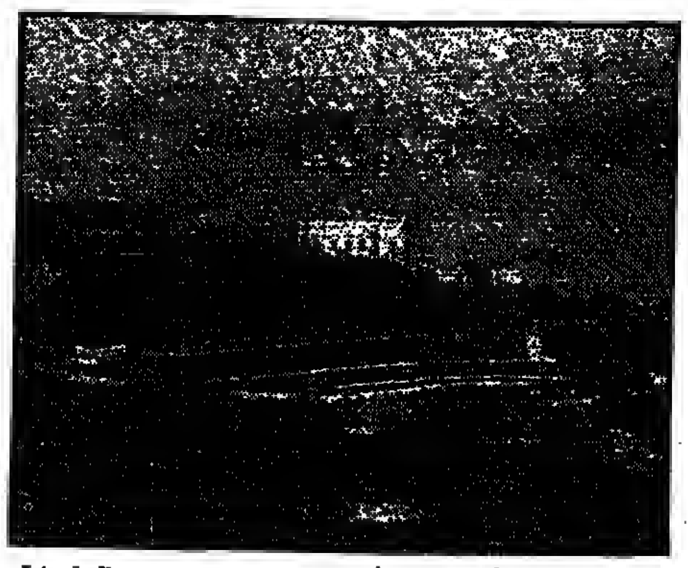
CLUBS

Much of the Turkish business world is accustomed to eat, drink, and make conversation in private clubs. These can be based on school or university (Bosphorus University's Bizim Tepe in Istanbul being one outstanding example).

Almost everyone will know everyone else. A fnrmer prime minister or a cahinet minister nr a millionnaire captain of industry always seems to be sitting at the next table. The mood will be somewhat formal—only faintly more relaxed than it would be in e restaurant.

Some of the bigger social clubs have discreet salons for card playing and gambling.

David Barchard



Istanbul's main football stadium, The Inonu Stadium, with the Bosphorus in the background.

Inflation

		(Monthly change)			
		Wholesale		Istanbul cost of living index for wage earners	
		General change %	Food change %	General change %	Food change %
1984	I	5.9	8.4	2.9	3.2
	II	3.9	4.9	2.7	3.7
	III	2.1	2.9	2.4	3.4
	IV	4.2	5.0	8.2	10.0
	V	4.5	4.8	5.1	6.2
	VI	3.4	2.0	4.8	6.0
	VII	0.4	−1.1	2.7	2.7
	VIII	3.1	3.3	0.8	1.1
	IX	3.1	5.5	1.3	−0.7
	X	3.3	3.3	2.0	2.0
	XI	2.3	2.0	1.6	1.5
	XII	2.8	4.0	1.5	2.1
1985	I	7.4	8.0	8.2	4.5
	II	2.6	4.9	4.1	7.3

Source: Istanbul Chamber of Commerce

Race against time for reform

CONTINUED FROM PAGE ONE

and as succour to the enemy within.

This has provoked what may prove to be a growing challenge from the two major opposition parties, both of them at present outside parliament because they were not allowed to enter the 1983 general elections. Sodep, the Social Democracy Party, which enjoys the support of just under a quarter of the electors, is now committed to changing the 1982 constintion, a general amnesty, and stopping what it claims is torture. On this last point it has won some support in parliament.

The other opposition party, the True Path Party, is also committed to revising the 1982 constitution. It may be unfair to point out the corollary, but both parties in their quest for political liberalisation would probably also pursue economic policies which would be the reverse of those followed by Mr Ozal. There are serious questions about how long such policies—and the relief they would bring to some sections of the population—could last.

For the moment however, Turkey and Mr Ozal do not have to confront such questions. The prime minister is still at the peak of his influence and energy. He has proved an adroit politician and has not been grazed by such political episodes as the resignation of the Minister of Finance last autumn, or a bribery scandal this spring surrounding one of his ministers.

The style of his government is econnmically dynamic, and culturally rather conservative. Sales of beer in rural areas are discouraged and religious festivals seem to play a somewhat more important rola than in the past. Thare has been a crackdown on Western teenage culture in some provinces, with evils of their ways. Schools and universities are being organised to tesch more facts about Turkey instead of the outside world. Japan, admired for its distinctive cultural styles as well as its business flair, has emerged as a possible model for Turkey.

However foreign support—and particularly foreign investment and foreign aid—are still regarded as essential. Capital-starved Turkey realises it cannot push through its industrial transformation without a transfer of resources from ahroad.

The government has thus spent lavishly on public relations and attempts to explain its viewpoint to the outside world and to still the voices of Turkey's Socialist and Communist critics in Europe. Only when economic recovery leads to political relaxation is this tension — which complicates Turkey's standing as a potential applicant for full EEC membership—like to subside.